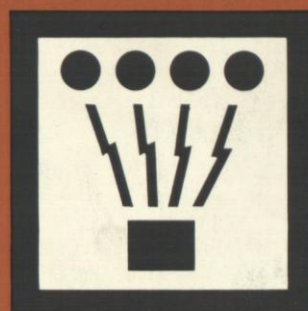
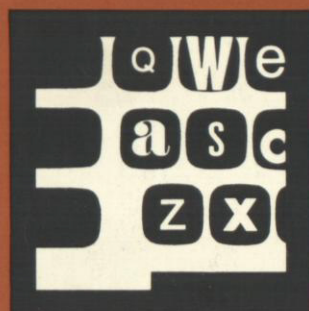
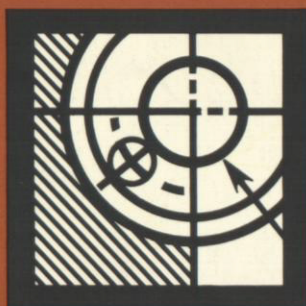

ADDRESSOGRAPH MULTIGRAPH

ANNUAL REPORT

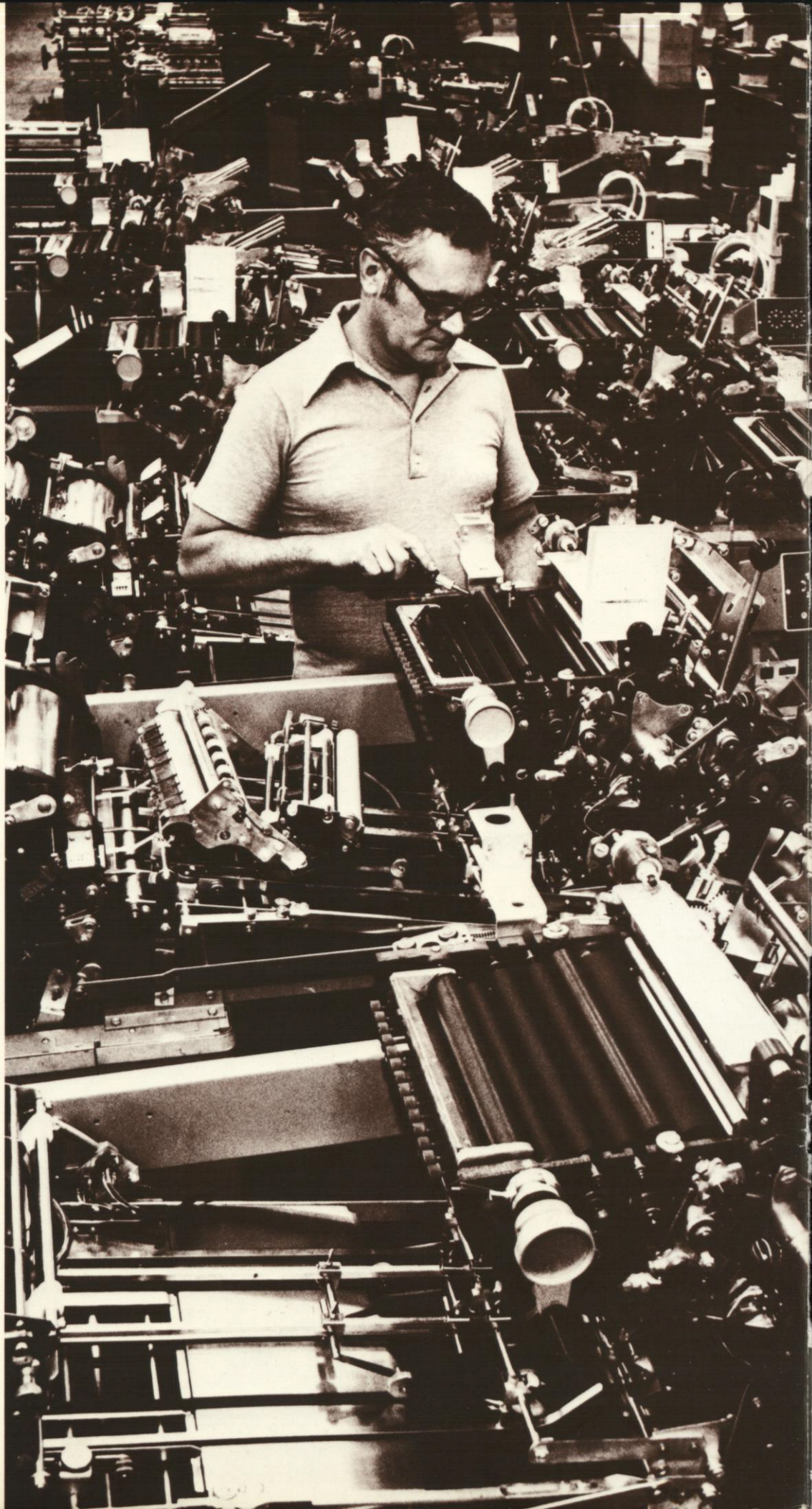
for the fiscal year ended JULY 31, 1975



Multilith tandem duplicators nearly ready for shipment to customers are adjusted by Multigraphics' Rudy Zulich at the division's Euclid, Ohio, plant.

(Top, right) Video display modules for the Comp/Set 500 phototype-setter receive final assembly check from Dorothy Paige at the VariTyper plant in East Hanover, New Jersey.

(Bottom, right) Careful assembly of components by Bruning employee Octavio Pablo helps assure quality of microfiche duplicators produced at Menlo Park, California.





FINANCIAL HIGHLIGHTS

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

FOR THE YEAR ENDED JULY 31

	1975	1974
Net sales, service billings and machine rentals	\$584,246,000	\$540,833,000
Income before taxes	\$ 10,967,000	\$ 2,604,000
Percent to sales	1.9%	.5%
Income taxes	\$ 6,059,000	\$ 2,296,000
Net income	\$ 4,908,000	\$ 308,000
Percent to sales	.8%	.1%
Net income per share	\$.61	\$.04
Dividends paid	—	\$ 3,617,000
Dividends paid per share	—	\$.45
Total assets	\$441,140,000	\$462,212,000
Number of shareholders of record	19,300	19,400
Number of employees	20,800	23,300



SHAREHOLDERS' MEETING

The annual meeting of shareholders of the corporation will be held at the Somerset Inn, 3550 Northfield Road, Shaker Heights, Ohio, on Thursday, November 6, 1975 at 10:00 a.m.

The notice, proxy statement and proxy for the meeting will be mailed in early October.

Form 10-K as filed with the Securities and Exchange Commission may be obtained by writing to the company, attention Investor Relations Department, 20600 Chagrin Boulevard, Cleveland, Ohio 44122.

ADDRESSOGRAPH MULTIGRAPH
AND SUBSIDIARY COMPANIES

To Our Shareholders:

Severe worldwide economic disruption affected your company's operations through all of fiscal 1975. Nonetheless, substantial progress was achieved as more basic control of operations developed:

- Net sales increased only 8% to \$584.2 million compared with \$540.8 million in fiscal 1974, but earnings rose sharply to \$4.9 million, or 61 cents per share, compared with last year's \$308,000, or 4 cents per share.
- Perhaps more important for the long term were significant advances in asset management resulting in a major reduction of debt.

Though much improved, this year's earnings are not acceptable to management as a measure of what can and should be. But the performance trend is positive and strengths required to meet future challenges have been demonstrated.

The stable corporate and domestic division executive group is providing a highly productive staff-line relationship. Realignment within International management are presently being accomplished as part of broader changes in overseas operations and key strengths have already been added.

CONTROLS MUCH IMPROVED

More effective fiscal and operating controls are in place and serving reliably. For example, a new computer-based network provides order entry, on-line inventory control at distribution centers and invoicing. Other new or improved systems provide cost and pricing analysis, control receivables and aid sales forecasting and production scheduling.

As noted in last year's annual meeting, reduction of receivables and inventory is a priority objective. The ability to meet this objective is evident:

- Net current accounts receivable declined \$7.3 million during a year in which recession influences might normally be expected to adversely affect collections and in spite of very high final month billings.
- The domestic over 90 days portion, a historic receivables problem, decreased \$9.7 million; nearly 42%.
- Net inventories declined more than \$17 million despite inflationary cost increases.

DEBT REDUCED

Total worldwide debt declined \$43.2 million during the year. Domestic short-term funds were provided principally by a \$56.6 million revolving credit agreement established as of the end of October, 1974. Borrowing against this line reached a high of \$52.6 million in December, stood at \$9.6 million at fiscal year-end and was reduced to zero shortly thereafter. At this date, the line itself voluntarily has been reduced to \$35.1 million.

A major source of short-term funds abroad was a multi-currency facility which has been available to the company for many years. Foreign borrowings against this line were approximately \$7 million at year-end. Today, management is confident that adequate future borrowing can be arranged.

Worldwide employment was reduced approximately 2,500 during the year. A portion of this reflects the recession's lower manufacturing level but some resulted from more lasting consolidations of operating and administrative functions.

Domestic divisions successfully balanced their operating levels with changing economic conditions while still moving toward longer range goals. At the same time, extended analysis showed even greater effectiveness could be achieved through consolidation of field activities and realignment of certain product responsibilities. Thus, steps to unify responsibility for all field sales, service, logistical and administrative functions in a new Field Operations Division and to merge Data Systems Division into Multigraphics Division have been initiated. (This action is discussed more fully on page 18 of this report.)

INTERNATIONAL CHALLENGES

While domestic performance improved, international operations suffered significant losses in several countries and remain a major challenge. Internal problems, primarily relating to subsidiary management and control, are slowly but steadily being solved. Even more critical is AM's need to adjust certain basic business methods to accommodate the much changed business environment in many overseas markets. Adverse economic conditions and local restraints on business operations make improvements of this sort slow and costly. Many traditional concepts, including the operation of separate subsidiary organizations in each market, are being re-evaluated. Various options are being pursued including conversion of marginal or unprofitable subsidiaries to dealerships.

International operations and the challenges they face are discussed in greater detail on page 19. Fiscal '76 will be a year of further corrective actions with consolidations of

management and administration already in progress to achieve closer control and coordination as well as lower overhead costs.

With regard to products, fiscal '75's economic turbulence had mixed effects both in the U.S. and overseas. Orders for many traditional products and related supplies were depressed through much of the year although general market acceptance remained sound. Several products represent the means to cost reduction for users and order rates for these products held firm.

NEW PRODUCTS FARE WELL

Two important new products experienced demand exceeding original expectations. The AM 2875/4875 copymaker is the industry's only automated two-sided duplicating system, filling a void in the market. The Comp/Set 500 direct entry phototypesetter offers previously unavailable typesetting flexibility at a very competitive price. Although both products were available

in quantity for only about half the year, their combined contribution to sales exceeded \$12 million with substantial factory back orders being carried into the new year.

New competitive technologies have begun encroaching on certain markets in which AM has held historical leadership. Specifically, xerography adapted to high speed copy production represents a new competitive pressure on the large volume offset duplicator market. There is little to suggest, however, that high quality offset duplicating will be significantly displaced from the market in the foreseeable future. Your company fully expects to remain aggressively competitive in this market and to participate importantly in its future.

THE YEAR AHEAD

General economic recovery both here and abroad would naturally benefit your company's progress. We are intentionally adopting a very cautious and conservative outlook, basing our own planning on the

assumption that while the economic worst may be behind us, a more normal general business environment will be slow in developing. In fact, continuing economic softness suggests an earnings squeeze in fiscal '76 first quarter (traditionally AM's slowest period). Nonetheless, AM's many deep-rooted strengths are now enhanced by distinctly improved controls and a much more solid fiscal base.

Frank H. Woods

Frank H. Woods
Chairman

Charles L. Davis

Charles L. Davis
President

September 22, 1975

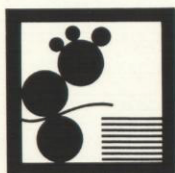
AM BOARD OF DIRECTORS

(Top, l-r) William R. Driver, Jr., Hugh Knowlton, Jr., Raymond Q. Armington, Charles L. Davis and Frank H. Woods.

(Bottom, l-r) Paul E. Priest, Dr. Paul E. Gray, John S. Fangboner and Horace A. Shepard.



Addressograph Multigraph Corporation and its subsidiaries, the outgrowth of a business begun in 1893, today manufactures, markets and provides service and supplies for a wide variety of business machines. The company's products—discussed below by type—are sold in the United States through about 3,300 sales personnel in branch offices throughout the country and in key international markets through 22 subsidiaries or affiliates and through independent dealers.



Duplicating and Copying
Sales: 1975—\$263.1 million
1974—\$241.8 million

The industry's broadest range of offset duplicators is marketed worldwide to business and industry, government, institutions and educational facilities for use in "in-plant" reprographics departments, and to commercial printers. The company also participates in the front office convenience copying market, principally with low cost electrostatic copiers. Both duplicators and copiers are supported by complete lines of peripheral equipment—including collators and sorters, cameras, and platemakers—and supplies—principally masters, inks, toners, and paper.



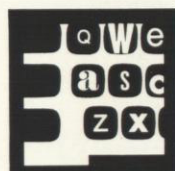
Engineering Graphics
Sales: 1975—\$89.3 million
1974—\$87.7 million

Engineering graphics and reprographics equipment—including diazo and pressure diazo copiers and whiteprinters, and drafting machines and furniture—is produced by Bruning and International divisions and sold to engineering, architectural, construction and industrial firms, to government agencies and to the educational market. Major supply items include paper and chemicals for machine products and drafting accessories and supplies.



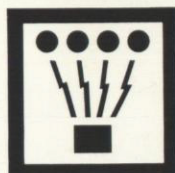
Repetitive Writing
Sales: 1975—\$38.5 million
1974—\$38.1 million

Multigraphics and International divisions manufacture Addressograph mechanical and electromechanical repetitive writing machines, using both metal and plastic plates, for a broad range of customers requiring mechanized addressing or almost any other form of systematic repetitive imprinting. Both divisions also produce Graphotype embossing machines and supply plates, plate frames and storage trays.



Composition
Sales: 1975—\$38.3 million
1974—\$34.2 million

AM's composition product line includes strike-on type composers, headline and display type photolettering machines, electronic editing terminals, tape preparation units and—most importantly—electronic phototypesetters. These products and related supplies—including type discs, photochemicals and papers—are sold to commercial typesetters and printers, publishers, "in-house" duplicating and engineering operations of industry and government, and to graphics service firms such as advertising agencies.



Transaction Processing
Sales: 1975—\$35.1 million
1974—\$31.6 million

Three distinct product lines are offered. Credit cards and data recorders are marketed worldwide in such diverse fields as petroleum retailing, manufacturing, health care, travel and entertainment, banking and finance. The AMCAT credit authorization and electronic funds transfer terminals are sold throughout the U.S., primarily to banks and savings institutions but also to private credit card issuers. Documentor terminals provide point-of-sale management information and control data for U.S. chain operators of fast food outlets and fine restaurants.



Micrographics
Sales: 1975—\$14.7 million
1974—\$ 7.7 million

Specializing in the fiche segment of the total market, Bruning and International divisions offer fiche duplicators, a camera/processor, reader/printer and retrieval/display units, and an enlarger/printer to business and government with primary applications in micropublishing and record keeping. Fiche film and photochemicals are the major supply items.



Services
Sales: 1975—\$97.2 million
1974—\$90.2 million

Machine service represents one of AM's most competitive strengths. Preventive maintenance, on-site repair and parts replacement is provided by a 2,700-man domestic service organization and by company and dealer servicemen overseas. Service is frequently "sold" as an element of initial machine placement by product divisions but service contracts are also marketed separately. Reprographic services—including duplicating, copying, diazo reproduction, micrography, embossing and addressing/mailling—are marketed on a retail basis by Graphics Service Operations.



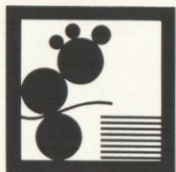
Supplies
Sales: 1975—\$8.0 million
1974—\$9.5 million

A line of general graphics and office supplies is marketed to business, institutional and government customers both directly and through dealers. Products include typewriter ribbons, computer and data processing ribbons and inked rolls, carbon paper, solvent film carbon and copier toners and developers. These are in addition to supplies oriented to and frequently proprietary to AM machine products.

For State Farm, one of the nation's largest insurance companies, AM 4250 Total Copy Systems speed copy reproduction at their Bloomington, Illinois, headquarters and at many other key U.S. locations.

REPORT of OPERATIONS

DUPLICATING and COPYING



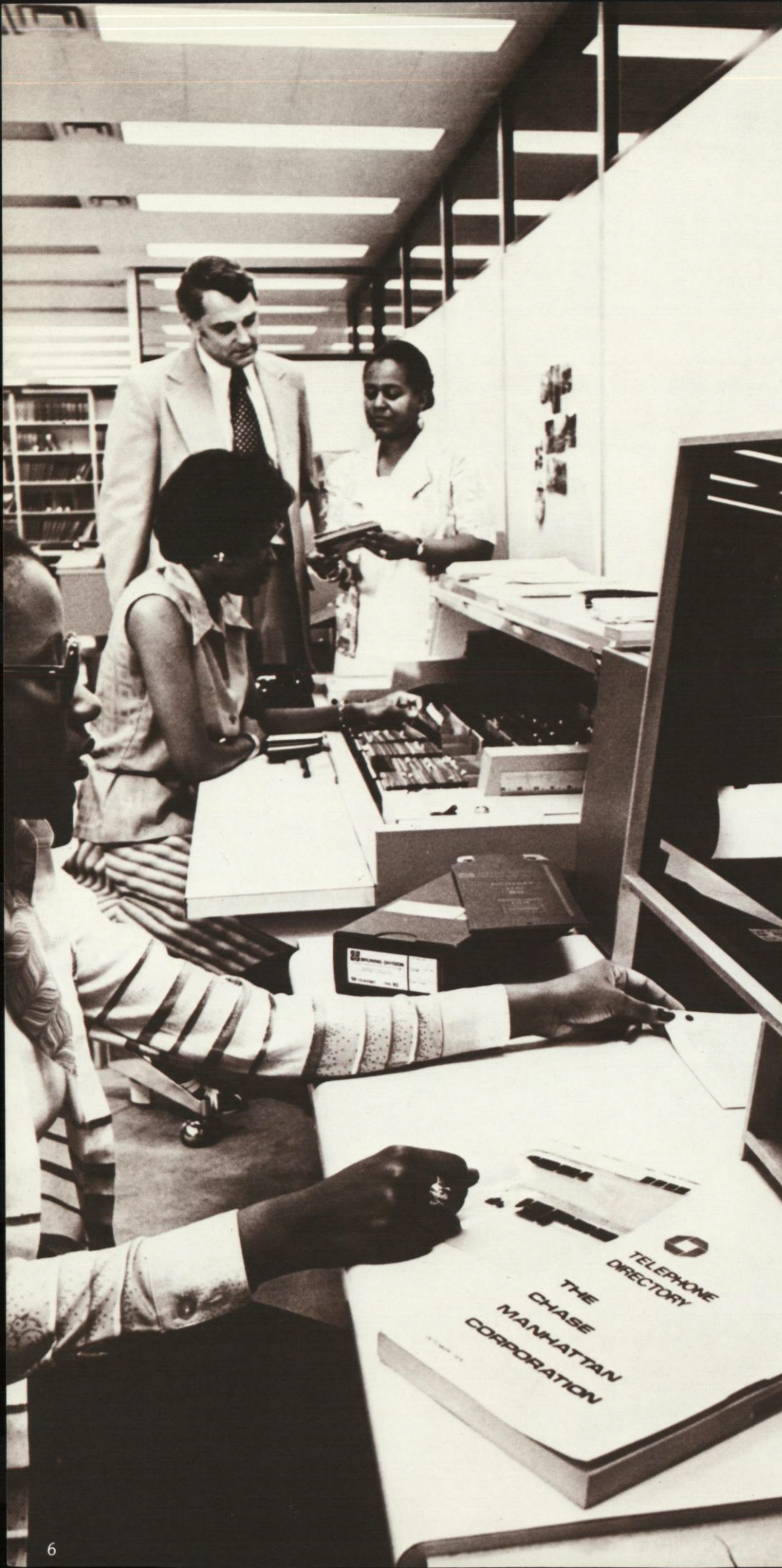
In fiscal 1975, the once-clear distinction between duplicating and copying blurred more than ever.

Copiers and offset duplicators con-

tinued to serve their respective traditional market segments but increasingly performed interchangeable roles. As evidence of this transition, the hybrid phrase "copy-duplicating" became widely accepted to describe the most important and fastest growing portion of the total market.

Traditional trends within the market were also interrupted, at least momentarily, by the recession. In the front office convenience copier field, for example, the steady march over the past several years toward plain paper copying marked time while coated paper electrostatic copiers, such as the AM 5000, experienced renewed demand because





of their distinct cost-per-copy advantage.

While duplicating and copying are increasingly difficult to identify as separate markets, estimates continue to be made as to the size of each. The total offset duplicator market—including equipment, supplies, paper and maintenance service—is assessed at approximately \$1.2 billion in the U.S. and roughly \$1.9 billion worldwide. The total copier market is valued at an estimated \$2.6 billion domestically and about \$4.7 billion worldwide.

Offset duplicating remains the most widely used method of copy reproduction, accounting for some 350 billion copies annually. Of a worldwide offset duplicator population estimated at 400,000 machines, about 30% are from AM.

Increased competitive pressures, including the advent of xerographic technology in high speed copy-duplicating, could reduce AM's market share somewhat in the years ahead. At the same time, these same influences in combination with more sophisticated offset systems—including the AM 4875 duplexer (two-sided) duplicating copymaker—are expected to accelerate the growth of the in-plant market as they increase the ability of customers to fill more and more of their total reprographics needs.

With proven offset duplicating technology that continues to set the industry standards for speed, copy quality and per-copy cost, AM in fiscal 1975 strengthened its duplicator and copier marketing with new products, stronger customer support and more aggressive pricing.

AM New York sales representative Bob Muller makes follow-up visit to Chase Manhattan Bank's microfiche library where a Bruning 750 camera/processor reduces information directly from original document to microfiche.

The introduction of the AM 212 and 220 table-top duplicators to the domestic market in August of 1974 positioned Multigraphics to capture a larger share of the low copy volume market. These machines had been successfully introduced to the European market by AM International more than a year earlier. In March 1975, International Division also introduced the AM 240, a fully automated table-top duplicator featuring pack feed of masters and speeds (up to 10,000 copies per hour) previously unavailable in table-top machines. The AM 240 will be brought to the U.S. market in 1976.

In September 1974, Multigraphics released the industry's first fully automated duplexing copy-duplicating system which reproduces on both sides of a sheet in a single pass through the machine. The AM 2875 is a free-standing unit with master pack feed. When coupled with an on-line master maker, it becomes the AM 4875—the highest performance duplicating system available today. Duplexing 11" by 17" sheets gives the AM 2875/4875 an output speed equal to more than 30,000 standard 8½" by 11" pages per hour. Recognizing the spiraling cost of paper and the economics of handling and mailing as well as operator costs and job turnaround time, duplexing is a concept whose time has not only come but is enhanced by the cost-consciousness wrought by the recession. Market acceptance of the AM 2875/4875 in the U.S. has been outstanding; the system was released in Canada at fiscal year-end and will be released in Europe in the late fall.

Toronto sales manager Rene Jasinski (second from right) advises operator of Addressograph equipment at Henry Birks & Sons, Ltd., a name synonymous with quality jewelry in Canada for nearly a century. Birks updates its extensive mailing lists daily.





Chicago's Dunbar Vocational High School uses Bruning Tech 90 drafting stations in a challenging program that develops the professional skills needed by today's draftsmen.

While critical concern is always given first to developing machines which serve customers' needs, AM is also responsive to the environment in which its machines are used. In June, the Space Saver concept of system configuration was introduced.

The Space Saver Communications Center places a rotary collator at right angles to the basic duplicator system, adding only 18 inches to the total length rather than the several feet normally required. A work table for stapling or packing of completed material is at right angles to the sorter and parallel to the basic duplicator. Thus, the entire system forms a "U," reducing the overall length of space required and literally surrounding the operator with every element within

easy reach even when performing additional duties unrelated to the actual operation of the equipment.

An improved version of AM's standard 1250 duplicator—the traditional workhorse machine often referred to simply as the "Multi"—was also introduced with 10 added safety features. The development of these additional safety features reflects AM's recognition of increased safety consciousness by customers.

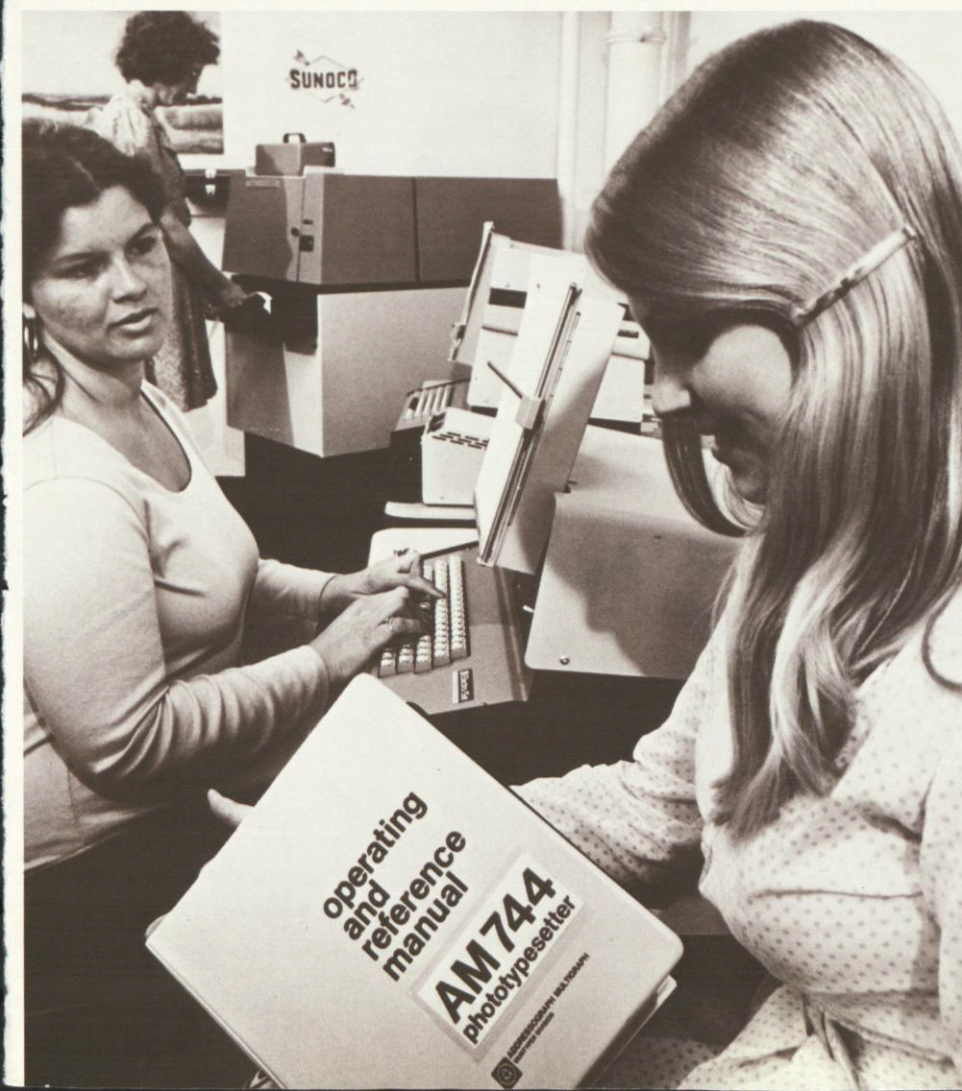
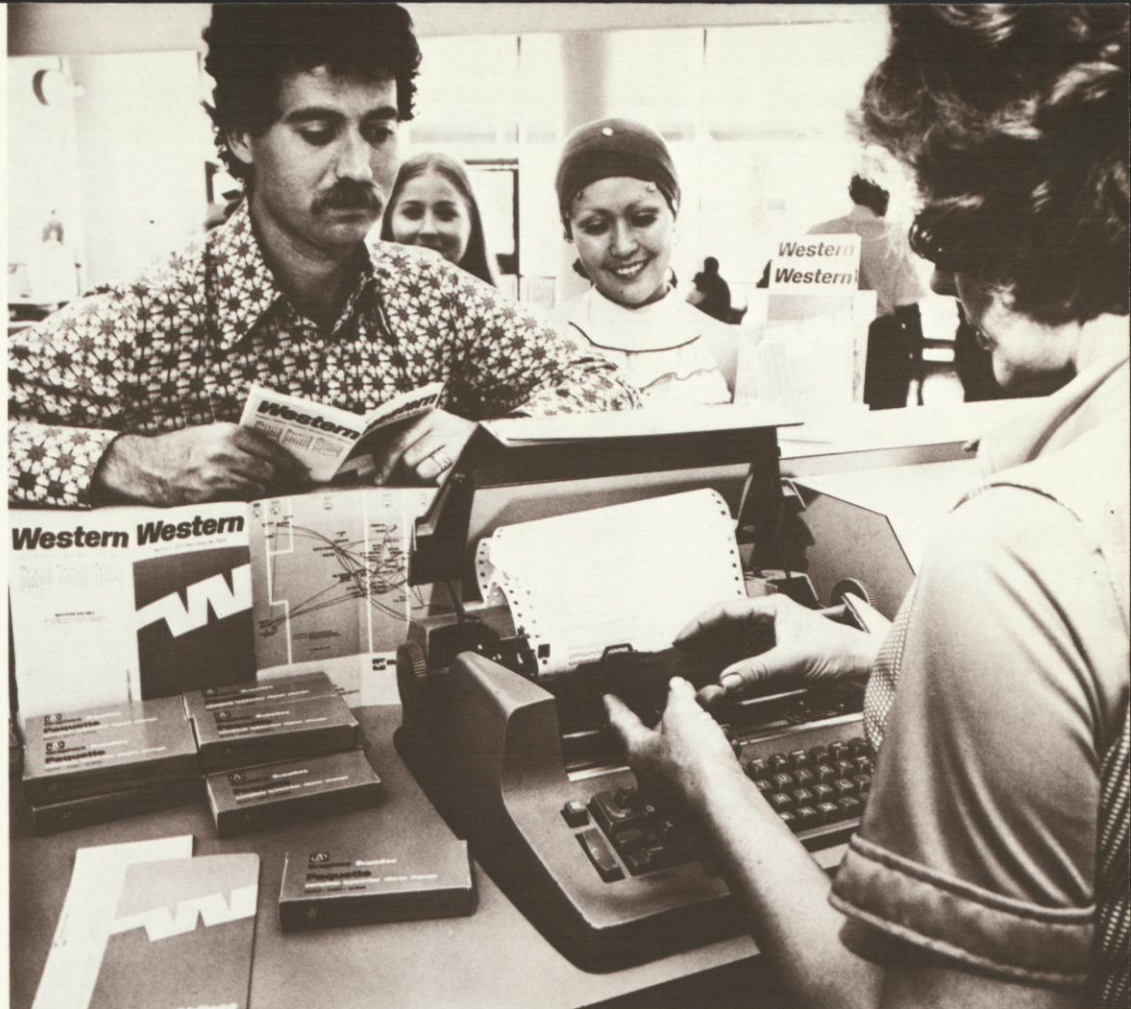
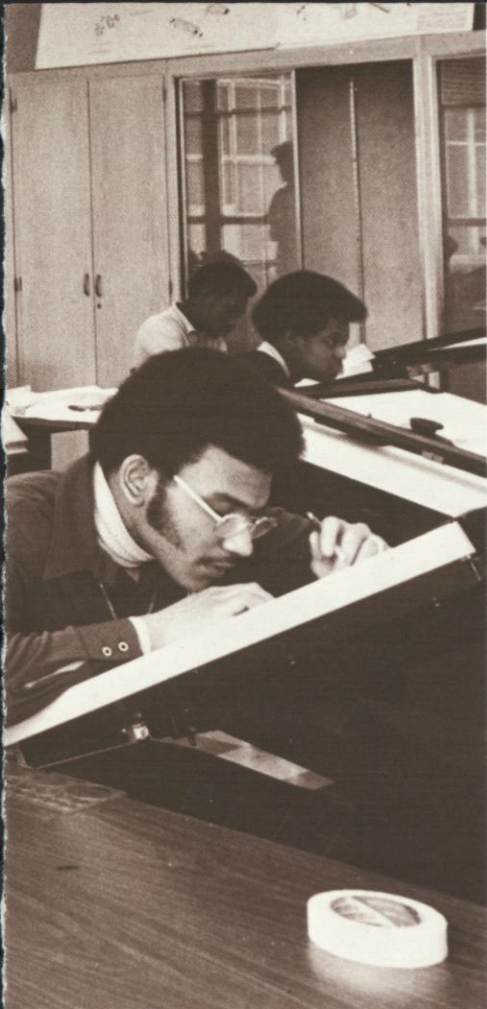
Upward price revisions for most duplicator and copier products in 1975 reflected increases in costs. Still, AM remains highly price-competitive and continues to offer more variety of machine acquisition plans than any other manufacturer.

Although order rates were soft during much of fiscal 1975 due to the recession, traditional duplicating

products continued to be well received in the market.

In support of the industry it serves, Multigraphics expanded its Graphics Learning Network—a special educational program designed to attract students to graphics reproduction as a career field and provide them with marketable skills and machine knowledge required in the world of work. In addition, the Graphics Learning Network, with some modification, is being introduced to penal institutions as a rehabilitation program designed to prepare inmates for gainful employment upon their release.

Sun Oil Company phototypesetter operators in Philadelphia receive follow-up training from VariTyper customer relations representative Nia Eaton.



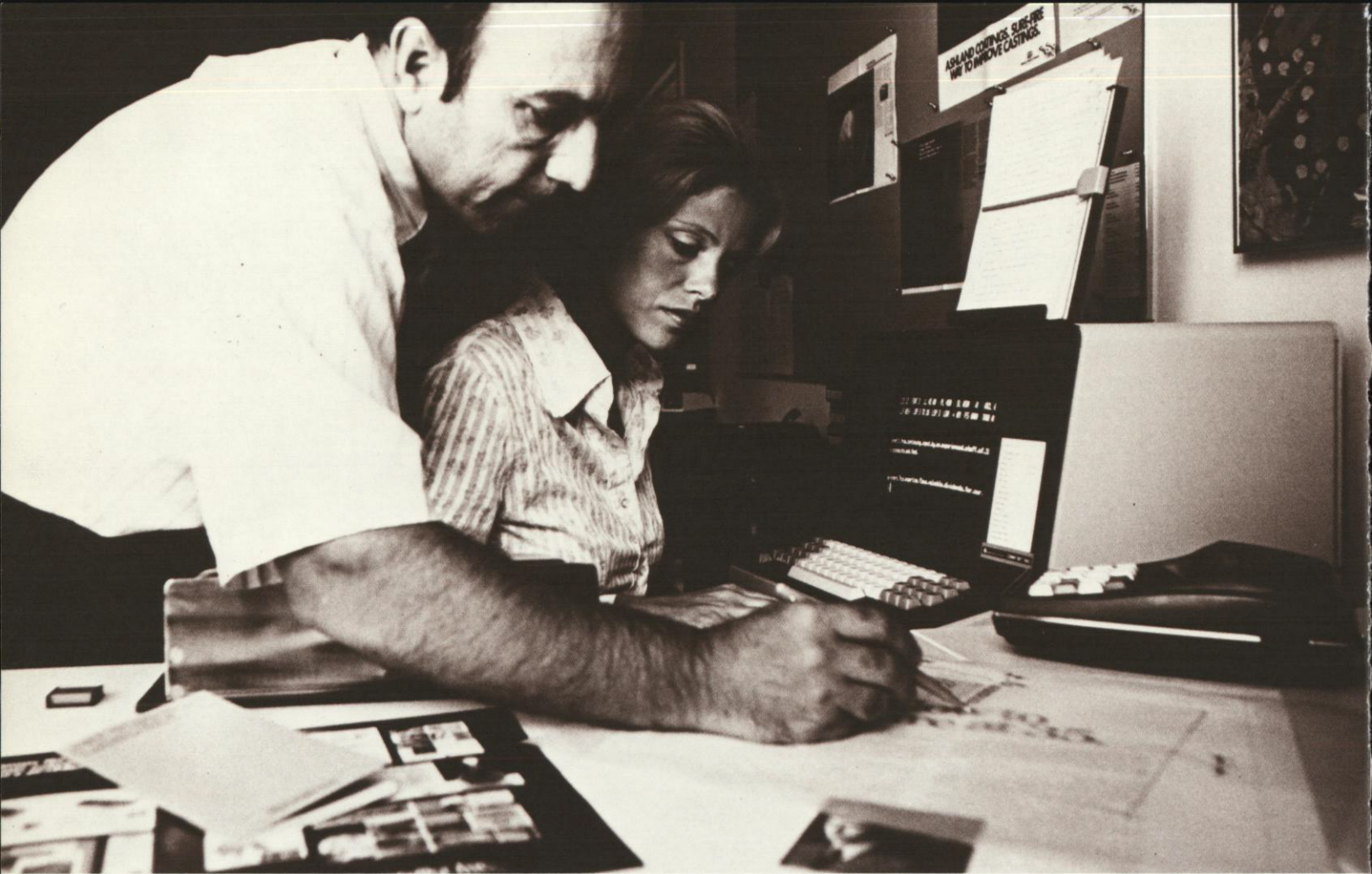
AM ribbon cassettes assure readability of the thousands of reservations written daily by Western Airlines at Los Angeles International Airport and at Western's many other airport and city ticket offices.

ENGINEERING GRAPHICS



The engineering graphics market—with its extensive orientation to such industries as construction, machine tools and engineered products including autos—was particularly affected by the recession. Under pressure, some producers of engineering copiers and their related supplies engaged in dramatic price cutting. Refusing to sacrifice either product quality or customer service, the Bruning Division sustained its pricing pattern and despite competitive developments retained its position of industry leadership.

Sales of large, more expensive machines used for reproduction of



(Left) At the New York office of Marsteller, Inc., one of the world's largest advertising agencies, a VariTyper Comp/Set 500 phototypesetter composes type for ads, brochures and catalogs as well as in-house publications.

(Below) First National City Bank of New York was one of the first to recognize the economies of two-sided duplicating. AM sales representative Paul Pratt (right) makes sure the bank gets maximum benefit from its AM 4875 copymaker.

large-sheet graphics such as engineering drawings dropped substantially in fiscal 1975 from their year-earlier level. However, Bruning's proprietary pressure diazo machines, which are odorless in contrast to conventional dry ammonia process machines, outsold the industry and the table-top PD 80 experienced strong demand. In fact, the 20,000th PD 80 was produced in May—only five years after its introduction—and is now in use at the U.S.S. Constitution Museum constructed as part of the American bicentennial celebration.

While diazo white-printers are primarily intended for the engineering graphics field, this is not their exclusive application and in the past year efforts to penetrate other specialty markets were increased to offset recessionary trends. As a result, what is thought to be the largest single order for diazo copiers in terms of number of machines was received by Bruning Division in 1975. The income tax preparer, H&R Block, took delivery on 300 PD 30's for use in copying tax forms and documents in their nationwide network of offices.

In addition to engineering copiers and the paper and chemicals to support them, Bruning Division is also a leading marketer of drafting equipment and supplies. Particularly attractive to this phase of the business is the educational market—

trade and technical high schools and junior colleges in particular. Special emphasis has been assigned this market segment during the past two years with outstanding results; sales to the education market increased approximately 60 percent in fiscal 1975.



The worldwide market for repetitive writing equipment—including im-
printers, metal and plastic plates
and plate preparation machines—is
valued at approximately \$200
million and both the domestic and
international portions are experienc-
ing moderate growth. Although
computer-based systems have made

significant inroads in the
high speed/high volume
addressing and imprint-
ing market, the sim-
plicity and convenience
of AM's mechanical
and electromechanical
systems continue to have
major appeal and offer
a distinct cost advantage
to low and medium
volume users.

An important addition
to the addressing equip-
ment product line was
released late in fiscal '75.
The Easy Riter is an
attractively styled table-
top unit which uses
plastic plates for ex-
tremely quiet operation
at speeds up to 2,500
impressions per hour.
Requiring no special
operator skills, Easy
Riter is particularly
suited to clubs, schools
and small businesses
or to decentralized or

satellite mailing operations of large
businesses and institutions.

As a logical extension of addressing
applications for repetitive writing
machines, Multigraphics Division
also introduced a broad line of
related mail room equipment in
1975. This line features four differ-
ent table-top folders for a variety of
applications including cross-folding

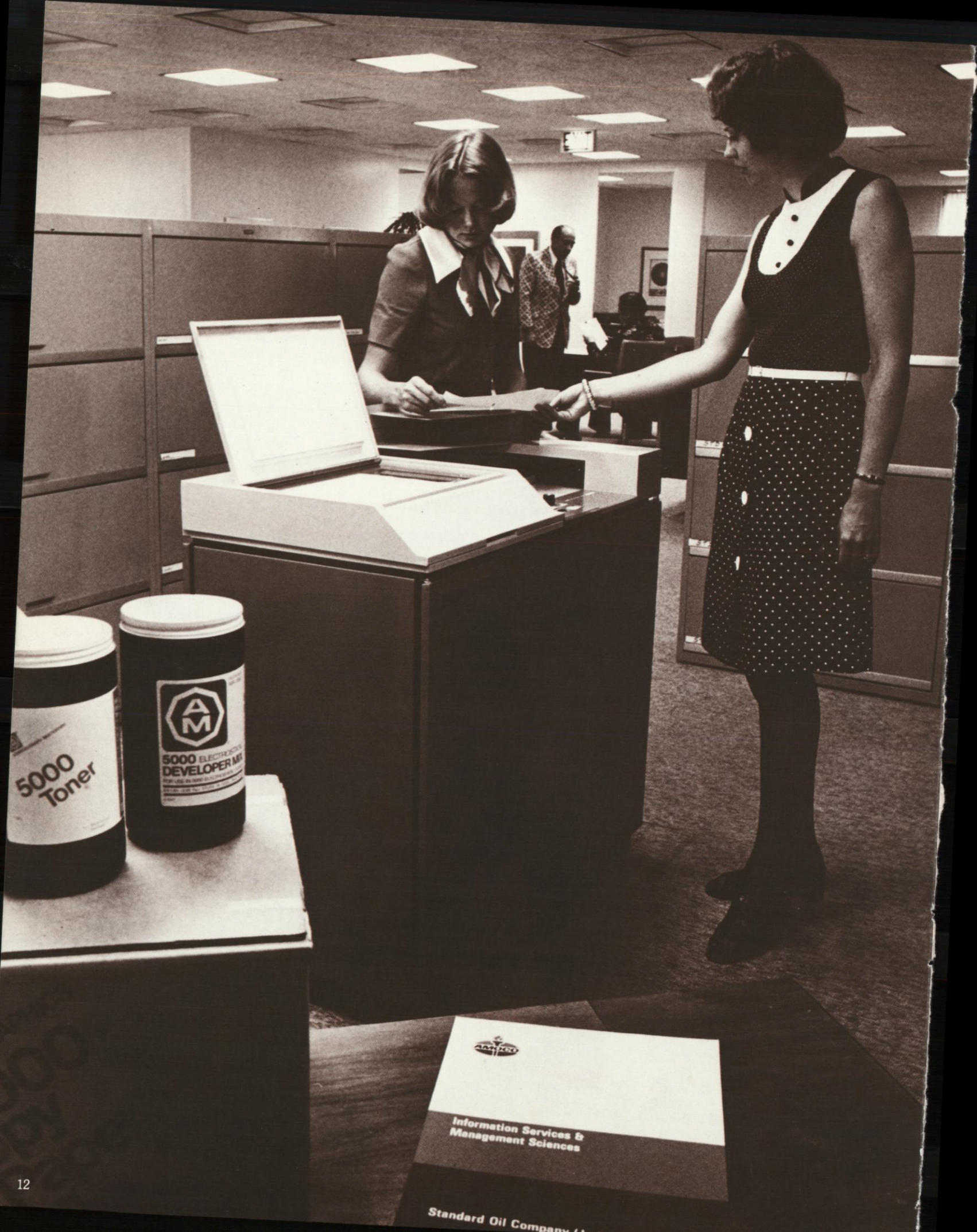
REPETITIVE WRITING



While frequently
associated only
with addressing,
AM repetitive
writing equip-
ment is also found

in an increasing variety of appli-
cations ranging from materials
control and production schedul-
ing to hospital record keeping.

(Left) AM data recorders at Continental Trailways' Pittsburgh terminal and a thousand other outlets help prepare uniform bus tickets that can then be optically scanned to facilitate accounting at Continental's Dallas headquarters.



5000
Toner

AM
5000 ELECTROPHOTIC
DEVELOPER MIX



Information Services &
Management Sciences

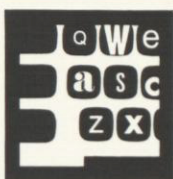
Standard Oil Company

(Left) Multigraphics customer relations representative Claudia Bucher (left) visits Standard Oil of Indiana (AMOCO) to assure reproduction quality on the dozens of AM 5000 copiers used at the firm's Chicago headquarters.

(Below) One of several Bruning micrographics installations at U.S. Datacorp, this OP 59/88 microfiche duplicator at USDC's Los Angeles Service Bureau receives close attention from Bruning area manager Jeff Singer.

of large sheet material and insertion or "nesting" of an additional item such as a reply card within the folded material. The new line also includes a high speed table-top inserter which both inserts folded material and seals and counts the envelopes. Any of the new folders can be used on-line with the AM 910 inserter.

COMPOSITION



From a nearly total orientation to mechanical or "strike-on" typesetting four years ago, VariTyper

Division in fiscal 1975 emerged as a leader in low cost photocomposition with the introduction of the Comp/Set 500.

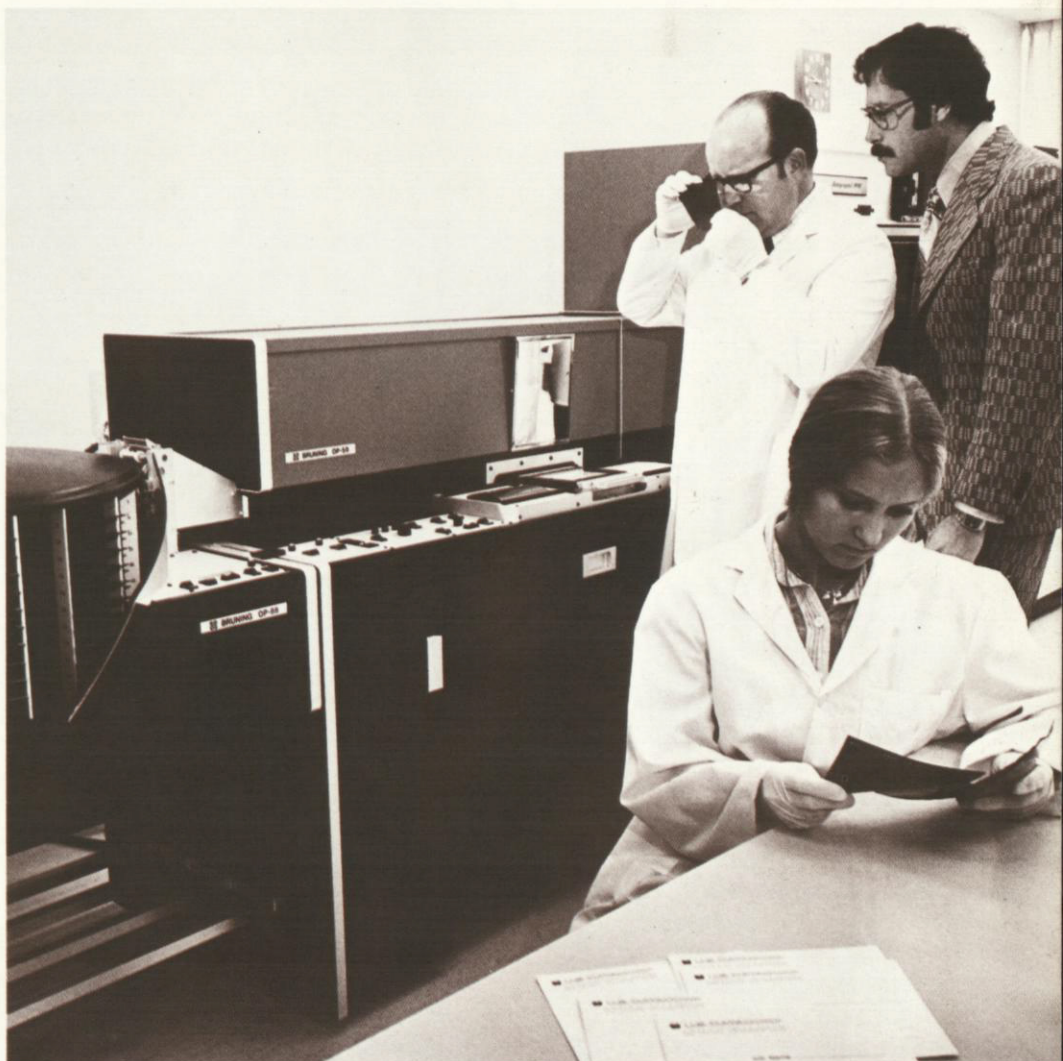
The transition from mechanical to photoelectronic equipment has made steady progress during the past four years as the company moved to more aggressively participate in the \$450 million worldwide market for type composition and editing equipment. A wide variety of mini-computer-based phototypesetters, input units and electronic editing terminals has been successfully introduced. Clearly, however, the introduction of the Comp/Set 500 direct entry phototypesetter signaled the culmination of this transition and moved AM to a position of innovative leadership in an exciting market that is expected to grow at more than 14 percent annually.

Since its domestic release in November 1974, sales of the Comp/Set 500 have been more than double the company's own initial projections. At year end, the 500th unit was in production with a substantial factory

backorder. The product was released for sale in Canada and Europe late in the fiscal year.

Comp/Set 500 combines an input and command keyboard, which can be operated by any competent typist with a minimum of instruction,

applications. In fact, a significant portion of customers is outside the conventional typesetter market and includes advertising agencies and in-plant reproduction departments of businesses and institutions as well as commercial printers, publishers and typesetting firms.



with a video display and editing capability and the typesetter itself to form the most flexible single unit system available today. Its low cost and composing range—from 5½ point to 36 point type in any of four type faces without changing the type disc—give it a wide variety of

With Comp/Set 500 as the parent product, a family of composition systems is being developed reflecting both product enhancements and technology advances.

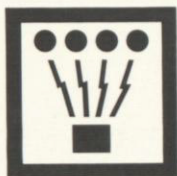


(Above) H&R Block, which prepares more than ten percent of all individual federal income tax filings each year, utilizes hundreds of odor-free Bruning PD 30's to copy completed tax forms in Block offices across the country.

(Right) At New York's famed Sign of the Dove restaurant, payments with American Express Cards are cleared in seconds through "Centurion"—the American Express version of AM's AMCAT credit authorization terminal. The posh restaurant also uses AM Documentor terminals to prepare guest checks and compile management data.

A full range of software options and type styles is offered by VariTyper in support of its photocomposition equipment. Special emphasis has been placed on foreign language type fonts and controlling software and while overseas sales of the composition product line have lagged behind the U.S., increased penetration of the European market is expected in 1976.

TRANSACTION PROCESSING



Transaction processing is that specialized market within the huge data processing field con-

cerned with capturing information at the point of transaction, transferring it from one action point to another and accessing a central data base. AM participates on three fronts, each offering the potential for market leadership by the company.

The traditional credit card/data recorder product line represents the broadest market penetration with AM already the leading supplier. Tight money and recessionary trends softened the market somewhat in fiscal '75 as credit itself contracted but the outlook remains bright. An upturn in orders as year-end approached seemed to reflect renewed optimism for the consumer economy and the use of credit in the year ahead.

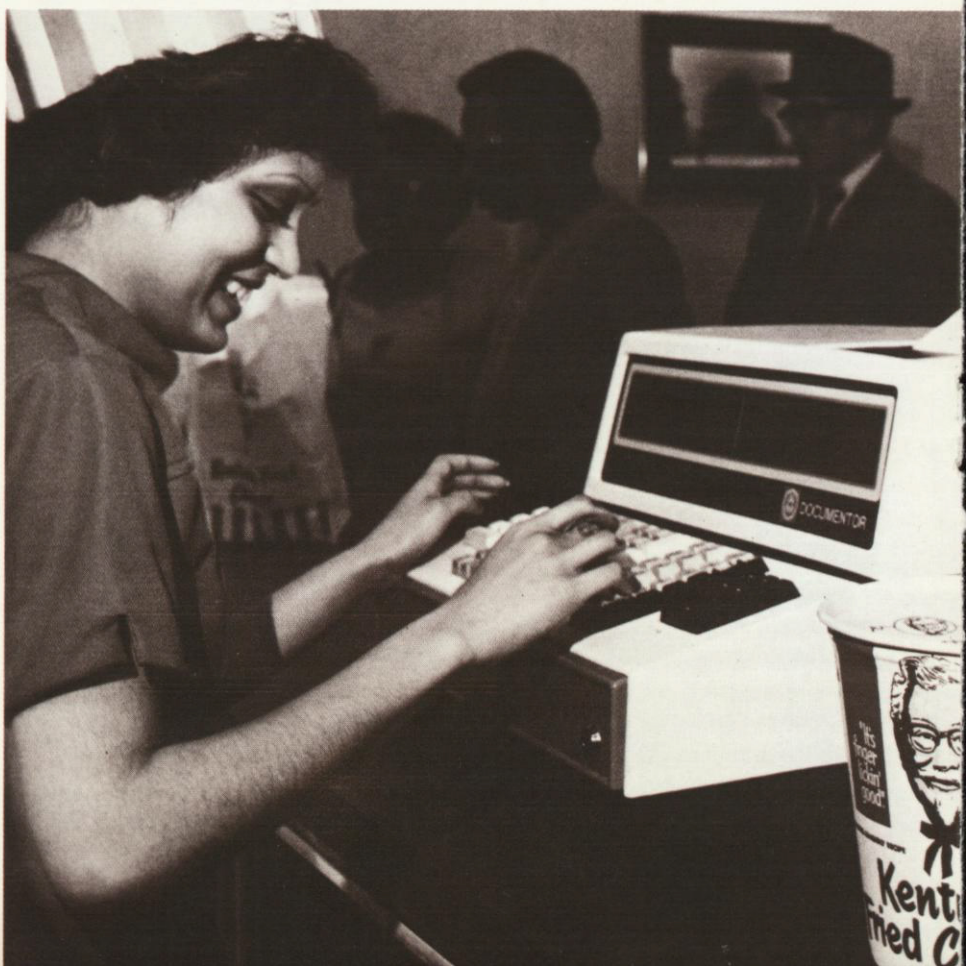
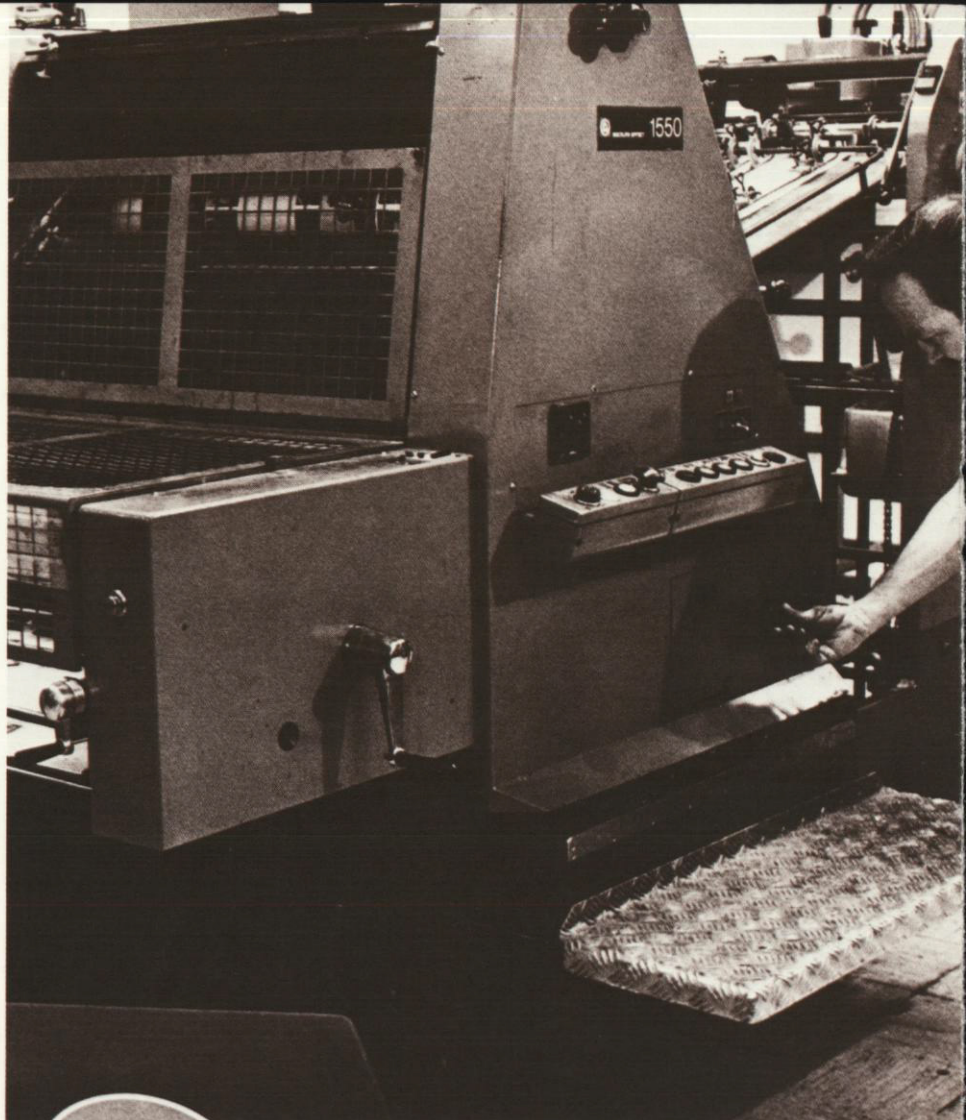
AMCAT is a credit authorization/electronic funds transfer (EFT) terminal with technology acknowledged as the industry standard. Its potential is clear and exciting as extension of full service electronic banking to the consumer level

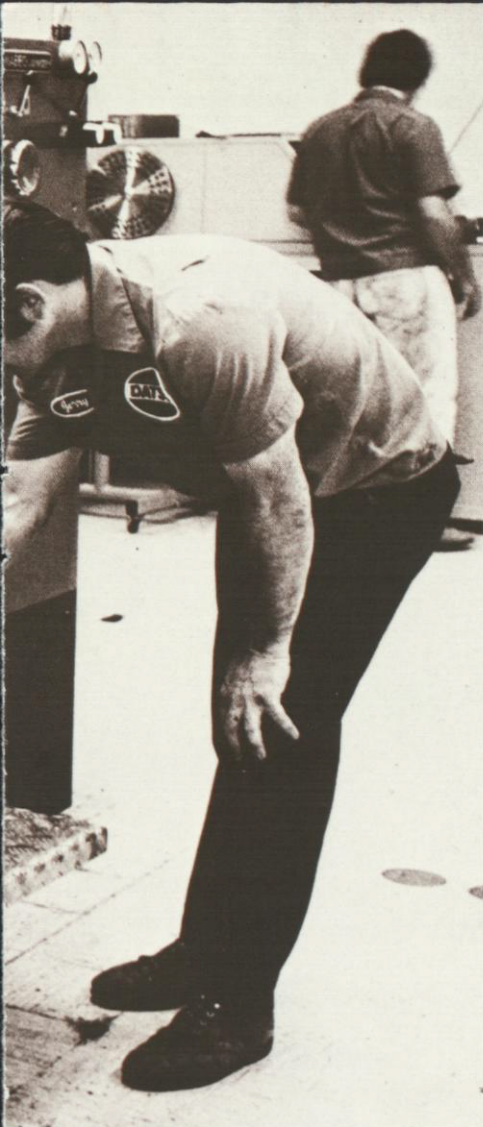


comes nearer to reality but legal and legislative concerns by banks and other financial institutions as to the parameters for remote EFT terminal operation have delayed full market development. Nonetheless, a rapidly growing number of limited unit installations is being made as banks and others step-up their systems planning. The market appears poised for major expansion. Simultaneously, new applications relating to check authorization have been developed and extend AMCAT's market scope.

Documentor is a minicomputer-based point-of-sale terminal used principally by the food service industry as a management information and control system. It too is accepted as the industry standard and is now used by many major fast food chains in the U.S. and an increasing number of fine food establishments. While fiscal '75's economic slide slowed the growth of this market, the installed machine base was enlarged and stronger demand is seen for fiscal 1976.

Although both AMCAT and Documentor are outstanding products, neither of their respective markets has yet developed to the point where product demand is sufficient to achieve profitability. The ultimate appeal is strong, however, and important future profit contribution is attainable. Interim losses were substantially reduced in fiscal '75 but remained an unacceptable burden. Thus, steps were initiated at year-end to significantly reduce this burden and thereby permit a commitment to the continuing marketing and customer service of these products. (See section on "Domestic Reorganization" on page 18 of this report.)





(Left) "Datsun Saves"—in this case by using an AM 1550 offset duplicator to permit quality line color work internally at Nissan Motor Corporation's U.S. headquarters in Gardena, California.

(Below) In the heart of New York's financial district, this new KFC Corporation outlet is one of many now utilizing AM Documentor terminals to quickly prepare customer invoices and assemble and store data for management reports.

MICROGRAPHICS



Without question, micrographics represents AM's area of fastest growth.

From a business base of less than \$2 million in 1972, worldwide micrographics revenue jumped to approximately \$14.7 million in fiscal 1975 with Bruning Division's domestic sales alone running more than 56 percent ahead of the previous year.

More important than AM's sales increases to date are the characteristics of the market and their potential for the company. The total micrographics market today is valued at about \$1 billion worldwide with an annual growth rate through

1980 projected at 14 percent. Within this total market, however, the balance is rapidly shifting older technology to microfiche—the area of nearly total concentration by Bruning—and the growth rate for microfiche is expected to be distinctly higher than for micrographics overall. The company is now well positioned to participate fully in this very rapid market expansion.

Micropublishing and business record keeping have been identified as the most attractive market segments and because of their common equipment requirements Bruning is able to participate in both with equal vigor.

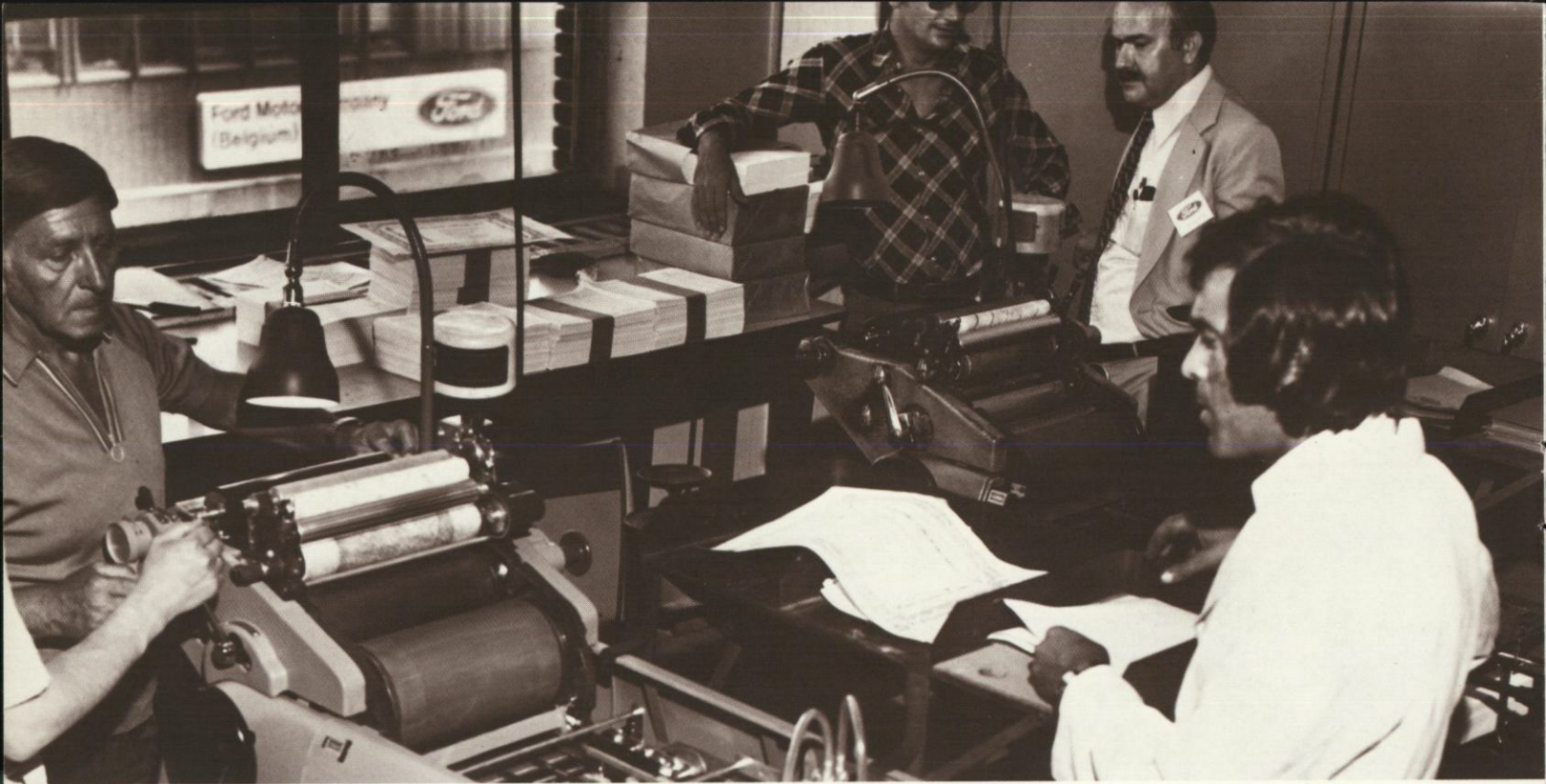
Bruning now offers one of the industry's most complete lines of microfiche equipment and supplies including step-and-repeat cameras, retrieval/display units, and reader/printers. Particular emphasis is placed on fiche duplicators and this extensive array of products ranges from the OP 50 series—large, high speed duplicators with full automation for high volume applications—to the newly released OP 10, a desktop duplicator that offers convenience and quality duplication at low cost.

SERVICE and SUPPLIES



While AM is most commonly identified with the hardware it makes and sells, service and supplies contribute nearly 60 percent of total revenue.





Graphics equipment service, representing about one-fifth of total sales, is accomplished by some 4,600 AM servicemen worldwide. Supplies unique to AM equipment or technology are sold by the domestic product divisions and by AM International and their revenues are consolidated with product line revenues for reporting purposes. In addition, however, the company also produces and markets a line of general supplies including carbon and ribbon products, copier toners and others.

Service revenues during the recession have generally remained strong but sales of supplies—both those associated with certain AM machine products and those of a general nature—were adversely affected by fiscal 1975's economic trends.

AM's reputation for machine service is outstanding and represents a critical marketing strength. Recognizing this, the company places major emphasis on service training, operating one of the industry's most sophisticated training centers at Schaumburg, Illinois, for U.S. and Canadian operations. Overseas, training for AM servicemen and

those from the many dealers who sell AM products throughout the world is accomplished at area training centers in England and Australia and through special schools conducted periodically in various countries.

As AM introduces new products and technology advances, the need for service training continues to grow. Through improvements in training methods and curricula accomplished in fiscal '75, training time for both new and experienced servicemen has been reduced resulting in lower costs and better customer support.

The company also markets "service" of a different sort in a dozen major U.S. cities—retail graphics service including duplicating and copying, graphic restoration, micrographics, embossing and addressing/mailing—through its Graphics Service Operations. This venture operation was established in 1972 and contributed approximately 12 percent of fiscal 1975 service revenue.

DOMESTIC REORGANIZATION

The establishment of decentralized profit center product divisions four years ago has aided considerably the company's efforts to more aggressively align its diverse products with their respective markets. With this structure and supported by new operating and fiscal controls, domestic divisions were able to perform quite effectively in fiscal '75 even in the face of an extremely adverse business environment.

At the same time, the experience of four years showed additional organizational improvements could further reduce domestic operating costs and provide even greater responsiveness to customers. The existence of new control systems permits refinements to be implemented with confidence.

Thus, in July, a two-phase realignment of the domestic organization was announced and will be carried out during fiscal 1976.

A Field Operations Division is being created, consolidating management and administration of field sales, service, logistical support and distribution of all AM products in the U.S. In addition to providing more economical field management, this consolidation will benefit customers by assuring better coordination of sales, service and related activities through a single manager having responsibility for all operations at each field location. Existing product divisions will continue to have responsibility for product planning, development, engineering and production in addition to market research and pricing.

Under the concurrent second phase, Data Systems Division headquarters is being merged into Multigraphics Division with responsibility for data recording and data transaction (AMCAT) products transferred to Multigraphics and the Documentor (point-of-sale terminal) business becoming a separate venture product division. Resulting cost reductions—achieved through elimination of certain facility and administration expenses—will permit the present cash drain and profit dilution associated with these products in their still-evolving markets to be reduced to a level which realistically allows continued recognition of the attractive longer term potential.

Developed over nearly a year of careful evaluation, this realignment is designed to achieve an organizational structure and size—with lower costs and more effective utilization of assets—that will more profitably meet growing economic and competitive challenges.

INTERNATIONAL OPERATIONS

International markets in fiscal 1975 were even more affected by recessionary trends than domestic and the likelihood of extended contraction appears greater than in the U.S. Still, longer term growth potential remains appealing and AM's international operations are maintaining their market position to share in this growth.

Clearly, however, international operations are the most critical challenge facing AM. Inflation far in excess of the U.S. rate has combined with other socio-economic pressures to create unacceptable cost burdens in many countries. Traditional advantages to the operation of certain subsidiaries have moderated or disappeared in the past two years. Finally, growing nationalism and increasingly severe government controls in many countries are not only placing new burdens on international management but restricting operating flexibility for the corporation as a whole.

The company's situation varies widely from one country to another. The larger subsidiaries in Canada, Germany, Australia, The Netherlands and South Africa all were profitable in fiscal '75 with Canada, Germany and The Netherlands increasing profitability over the preceding year. After suffering losses in the first half, U.K. turned profitable for the year as a whole—contributing more earnings than in fiscal '74—but the level of profit remained unacceptably small. Scandinavian operations performed well but losses in several smaller subsidiaries—especially some in Latin America—increased.

Corrective action for individual trouble spots is continuing to be taken. Late in the fiscal year, for example, Brazilian subsidiary operations were terminated; retail sales and service were transferred to a local dealer while manufacturing operations became a limited partnership under domestic AM.

Beyond this, a more basic realignment of international management and related administration is being implemented to reduce costs and increase control and coordination. On September 1, 1975, George S. Warner, formerly vice president SCM Corporation, was named vice president-International Operations, bringing to AM many years of successful experience in multinational management. International vice presidents with area responsibility—one for Europe, Africa and the Near East and one for Canada, Latin America and the Far East—will report to Mr. Warner who will be headquartered in Cleveland to facilitate more direct support of international management by existing corporate staff.

Consolidations of international subsidiary staff activities are also being implemented and will serve to further reduce costs and strengthen multinational coordination.

A comprehensive reassessment of how best to support foreign sales in light of changing world market conditions is presently being completed. In this connection, the sale of the West German manufacturing subsidiary—Mathias Bauerle GmbH—to Vickers Ltd. (Great Britain) was accomplished at year-end. As a result, AM will continue to market Bauerle products worldwide but will no longer experience the demands on cash and management that this operation posed.

CONSOLIDATED STATEMENTS of INCOME and RETAINED EARNINGS

FOR THE YEAR ENDED JULY 31

1975

1974

SALES AND OTHER INCOME:

Net sales	\$450,851,000	\$417,783,000
Service billings and machine rentals	133,395,000	123,050,000
Other income	7,939,000	9,969,000
	<u>592,185,000</u>	<u>550,802,000</u>

COST AND EXPENSES:

Cost of products and services sold	350,369,000	328,341,000
Branch and commission expenses	121,568,000	115,495,000
Other selling, advertising, general and administrative expenses	75,453,000	69,899,000
Research, development and engineering expenses	18,441,000	20,007,000
Interest expense	15,387,000	14,456,000
	<u>581,218,000</u>	<u>548,198,000</u>

INCOME BEFORE INCOME TAXES

10,967,000 2,604,000

Income taxes

6,059,000 2,296,000

NET INCOME

\$ 4,908,000 \$ 308,000

INCOME PER SHARE OF COMMON STOCK

\$.61 \$.04

RETAINED EARNINGS AT BEGINNING OF YEAR

\$115,099,000 \$118,408,000

Net income

4,908,000 308,000

Dividends paid—\$.45 per share in 1974

120,007,000 118,716,000
-- 3,617,000

RETAINED EARNINGS AT END OF YEAR

\$120,007,000 \$115,099,000

The Notes to Financial Statements and Summary of Accounting Policies on pages 24 through 28 are an integral part of this and related financial statements.

ADDRESSOGRAPH MULTIGRAPH AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT of CHANGES in FINANCIAL POSITION

FOR THE YEAR ENDED JULY 31

1975

1974

WORKING CAPITAL WAS PROVIDED BY:

Net income	\$ 4,908,000	\$ 308,000
Charges against net income not requiring current use of funds (principally depreciation)	18,812,000	16,110,000
Operations	23,720,000	16,418,000
Sale of foreign operations (1975) and surplus plants (1974)	3,738,000	7,139,000
Normal disposition of plants, equipment and rental equipment	6,485,000	5,869,000
Reduction in lease and installment contracts receivable, due after one year	8,161,000	4,069,000
Additional long-term debt	2,660,000	6,054,000
Other	63,000	751,000
Reduction of working capital	--	13,603,000
	<u>\$ 44,827,000</u>	<u>\$ 53,903,000</u>

WORKING CAPITAL WAS USED FOR:

Plant and equipment additions	\$ 12,863,000	\$ 18,193,000
Rental equipment additions	14,202,000	16,871,000
Cash dividends paid	--	3,617,000
Investment in and advances to AM Finance Corporation	2,833,000	1,075,000
Reduction of long-term debt	11,798,000	4,059,000
Reclassification of prepaid income taxes from current to non-current	--	10,088,000
Addition to working capital	3,131,000	--
	<u>\$ 44,827,000</u>	<u>\$ 53,903,000</u>

SUMMARY OF CHANGES IN COMPONENTS OF WORKING CAPITAL:

Cash, time deposits and marketable securities	\$ 9,628,000	\$ (15,582,000)
Accounts receivable	(7,283,000)	8,962,000
Inventories	(17,342,000)	24,636,000
Prepaid expenses	2,636,000	(3,464,000)
Accounts payable and accrued expenses	(12,594,000)	(6,937,000)
Bank loans and current debt	34,107,000	(22,062,000)
Income taxes and contract obligations	(6,021,000)	844,000
Addition to (reduction of) working capital	<u>\$ 3,131,000</u>	<u>\$ (13,603,000)</u>

ADDRESSOGRAPH MULTIGRAPH AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

AS OF JULY 31	1975	1974
ASSETS		
CURRENT ASSETS:		
Cash	\$ 4,708,000	\$ 3,556,000
Time deposits and marketable securities, at cost which approximates market value	10,907,000	2,431,000
Accounts receivable	124,493,000	131,776,000
Inventories:		
Raw materials and work-in-process	65,106,000	69,945,000
Finished parts, machines and supplies	81,874,000	94,377,000
Prepaid income taxes and expenses	17,249,000	14,613,000
	<u>304,337,000</u>	<u>316,698,000</u>
 LEASE AND INSTALLMENT CONTRACTS RECEIVABLE, due after one year, less unearned finance charges	 <u>11,167,000</u>	 <u>19,328,000</u>
 INVESTMENT IN (AT EQUITY) AND ADVANCES TO AM FINANCE CORPORATION	 <u>3,908,000</u>	 <u>1,075,000</u>
 PLANT AND EQUIPMENT, AT COST:		
Land	5,950,000	5,765,000
Buildings	71,228,000	67,008,000
Machinery and equipment	98,170,000	95,583,000
Leasehold improvements, less amortization	4,393,000	4,814,000
	<u>179,741,000</u>	<u>173,170,000</u>
Less accumulated depreciation	<u>91,474,000</u>	<u>85,516,000</u>
	<u>88,267,000</u>	<u>87,654,000</u>
 RENTAL EQUIPMENT, AT COST	 50,273,000	 49,889,000
Less accumulated depreciation	<u>28,060,000</u>	<u>27,778,000</u>
	<u>22,213,000</u>	<u>22,111,000</u>
 OTHER ASSETS:		
Intangibles arising from acquisitions	3,487,000	5,990,000
Deferred charges	4,666,000	4,729,000
Future income tax benefits	3,095,000	4,627,000
	<u>11,248,000</u>	<u>15,346,000</u>
	<u>\$441,140,000</u>	<u>\$462,212,000</u>

	1975	1974
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank loans and current debt	\$ 35,941,000	\$ 70,048,000
Accounts payable	31,565,000	32,169,000
Service contract obligations	28,917,000	24,362,000
Income taxes	11,661,000	10,195,000
Accrued taxes, commissions and payroll	45,323,000	32,125,000
	<u>153,407,000</u>	<u>168,899,000</u>
 LONG-TERM DEBT		
	<u>78,474,000</u>	<u>87,612,000</u>
 INTERNATIONAL OPERATIONS RESERVE		
	<u>--</u>	<u>1,350,000</u>
 SHAREHOLDERS' EQUITY:		
Common stock, par value \$2.50		
Authorized: 15,000,000 shares		
Outstanding: 8,038,589 shares	20,096,000	20,096,000
Capital in excess of par value	69,156,000	69,156,000
Retained earnings	120,007,000	115,099,000
	<u>209,259,000</u>	<u>204,351,000</u>
	<u>\$441,140,000</u>	<u>\$462,212,000</u>

NOTES to FINANCIAL STATEMENTS and SUMMARY of ACCOUNTING POLICIES

The major accounting principles and practices followed by AM are presented (in italics) to assist readers in evaluating the consolidated financial statements.

EARNINGS PER SHARE

Net income per share of common stock is based on the weighted average number of shares of common stock outstanding.

There would be no dilution in AM earnings per share from the conversion of convertible debentures and the exercise of stock options.

PRINCIPLES OF CONSOLIDATION AND INTERNATIONAL SUBSIDIARY DATA

The consolidated financial statements include the accounts of all subsidiaries except for Addressograph Multigraph Finance Corporation which began operating in 1975. All intercompany transactions have been eliminated.

Foreign subsidiary balance sheet accounts are translated into U.S. dollars at approximate rates of exchange prevailing at the end of their fiscal year (June 30) except for plant and equipment, rental equipment, capital stock and retained earnings which are translated at historical rates. Revenue and expense accounts for each month are translated at the approximate rates of exchange in effect during the month, except for depreciation which is translated at the rates of exchange which were in effect when the respective assets were acquired.

Ordinary profits and losses resulting from changes in the value of the U.S. dollar in relation to foreign currencies are absorbed in the International Operations Reserve.

In 1975 charges against income of \$1,216,000 increased the International Operations Reserve and foreign currency exchange losses of \$2,566,000 were charged against this reserve reducing its balance to zero at July 31, 1975. In 1974 there were no additions to the reserve and foreign currency exchange losses of \$1,552,000 were charged against it.

The International Division is responsible for operations outside the United States including management of foreign subsidiaries and sales from domestic divisions to foreign

dealers and customers. The following table summarizes this division's net assets at June 30, 1975 and 1974 and its operations for the years then ended.

	1975	1974
Current assets	\$110,841,000	\$118,189,000
Current liabilities	62,484,000	58,789,000
Working capital	48,357,000	59,400,000
Plant and equipment less depreciation	21,189,000	18,752,000
Rental equipment less depreciation	7,359,000	7,588,000
Other assets—net	6,196,000	8,403,000
Total	83,101,000	94,143,000
Long-term debt	16,930,000	26,008,000
Net assets	\$ 66,171,000	\$ 68,135,000
Net sales and operating revenues	\$210,766,000	\$189,176,000
Net income (loss)	\$ (1,920,000)	\$ 999,000
Dividends paid to Parent	\$ 407,000	\$ 4,656,000

INCOME TAXES

Provision is made for timing differences between financial and tax reporting which relate primarily to leasing and service contract activities and pension, inventory obsolescence, and doubtful accounts costs. The investment tax credit is recorded under the flow-through method of accounting as a reduction of the current provision for federal taxes.

The provision for taxes on income is summarized as follows:

	Taxes Payable	Tax Timing Differences	Total
1975			
U.S. Federal	\$3,978,000	\$ (2,474,000)	\$1,504,000
Foreign	2,436,000	1,726,000	4,162,000
State and Local	393,000	--	393,000
	<u>\$6,807,000</u>	<u>\$ (748,000)</u>	<u>\$6,059,000</u>
1974			
U.S. Federal	\$ --	\$ (991,000)	\$ (991,000)
Foreign	3,134,000	153,000	3,287,000
	<u>\$3,134,000</u>	<u>\$ (838,000)</u>	<u>\$2,296,000</u>

The 1975 and 1974 provisions expressed as a percentage of pre-tax income are 55.2% and 88.2% respectively. A reconciliation of the effective rate for 1975 and 1974 to the U.S. statutory rate of 48% follows:

	1975		1974	
	Percent	Amount	Percent	Amount
U.S. statutory rate	48.0	\$5,264,000	48.0	\$1,250,000
Investment tax credit	(8.3)	(910,000)	(16.4)	(427,000)
Foreign tax credit				
not recognized	--	--	39.0	1,015,000
Effect of foreign currency translation losses for which tax benefits are not realized	5.3	584,000	--	--
Reduced rate applicable to capital gain	(2.5)	(274,000)	--	--
Recognition of a portion of U.S. tax benefits on loss of investment in Brazilian subsidiary	(9.6)	(1,049,000)	--	--
Effect of varying rates applicable to income and losses of foreign subsidiaries	20.2	2,215,000	17.2	448,000
State and local	3.6	393,000	--	--
Other	(1.5)	(164,000)	.4	10,000
	<u>55.2</u>	<u>\$6,059,000</u>	<u>88.2</u>	<u>\$2,296,000</u>

The tax rate applicable to foreign subsidiaries was higher than normal in 1975 and 1974 because certain subsidiaries had operating losses which produced no tax benefit. The company had unutilized foreign tax credits of \$3,432,000 at July 31, 1975.

There are unremitted earnings of foreign subsidiary companies of \$51,386,000 on which foreign income taxes have been paid. No provision is necessary for foreign withholding or U.S. income taxes because this amount is expected to be reinvested indefinitely in plant and equipment and working capital.

RESEARCH, DEVELOPMENT AND ENGINEERING

Research, development and engineering costs are expensed as incurred.

Expenditures for research, development and engineering totaled \$18,441,000 in 1975 compared to \$20,007,000 for 1974.

DEPRECIATION

Depreciation is computed on the straight-line method using rates based on estimated useful lives of the assets. Leasehold improvements are amortized over the terms of the various leases.

The provision for depreciation amounted to \$18,355,000 in 1975 and \$17,497,000 in 1974.

PENSIONS

Pension expense includes current service costs and amortization of prior service costs over a 30-year period. Amounts so determined are funded based on a variety of factors, including legal requirements, federal income tax considerations, actuarial recommendations, etc.

The company and its subsidiaries have pension plans, both contributory and non-contributory, covering substantially all of their employees. The total pension expense for the years ended July 31, 1975 and 1974 was \$10,763,000 and \$8,894,000 respectively. The increase in 1975 pension expense is due to negotiated pension improvements and a provision for interest accrued at July 31, 1975 on the \$3,845,000 of 1974 pension expense which has not been funded. The actuarially computed value of vested benefits as of the most recent valuation date exceeded the current market value of pension fund assets and balance sheet accruals at July 31, 1975 by approximately \$11,000,000.

Based on current rules and regulations the 1974 Pension Reform Act is not expected to increase pension vesting and may increase future annual costs and funding by less than 10%.

LEASES

The company and its subsidiaries have various cancellable and non-cancellable leases expiring at various dates. Annual rental expense, net of income from subleases was \$20,380,000 in 1975 and \$18,807,000 in 1974. The company also pays taxes, insurance and other expenses related to most of the leased premises. Minimum rental commitments under non-cancellable leases for major categories of property are as follows:

Minimum Commitments

	Real Estate	Vehicles & Equipment	Total
1976	\$ 8,727,000	\$ 2,153,000	\$10,880,000
1977	8,020,000	1,345,000	9,365,000
1978	7,315,000	776,000	8,091,000
1979	6,281,000	393,000	6,674,000
1980	5,773,000	126,000	5,899,000
1981-85	20,108,000	9,000	20,117,000
1986-90	9,708,000	--	9,708,000
1991-95	2,521,000	--	2,521,000
1996 and thereafter	952,000	--	952,000

Non-capitalized financing leases (as defined by the Securities and Exchange Commission) are not significant.

MAINTENANCE AND REPAIRS

Maintenance and repair costs are expensed as incurred. Costs of renewals and betterments are capitalized.

ACCOUNTS RECEIVABLE

Accounts receivable were reduced in 1975 compared to 1974 primarily as a result of improved collections. The allowance for doubtful accounts was \$6,421,000 at July 31, 1975 and \$8,820,000 at July 31, 1974.

ADDRESSOGRAPH MULTIGRAPH FINANCE CORPORATION

During fiscal 1974 Addressograph Multigraph Finance Corporation (AM Finance) was formed as a wholly owned subsidiary to finance certain equipment leases and installment contracts with the company's customers. Subsequently, it entered into an agreement with an unaffiliated finance company whereby the latter is entitled to purchase a portion of the lease and installment contracts entered into by AM Finance. Losses by the unaffiliated finance company on contracts purchased from AM Finance will be shared in stipulated proportions. In 1975 the company sold lease and installment contracts of \$9,721,000 to the unaffiliated company under this agreement.

Pre-tax income of AM Finance is included in Other Income in the consolidated income statement and its provision for income taxes is included in the consolidated income tax provision.

Summary financial information for AM Finance is shown below:

	July 31	
	1975	1974
Assets		
Receivables including amounts due beyond one year	\$4,074,000	\$1,049,000
Other assets	150,000	68,000
	4,224,000	1,117,000
Less: Liabilities	316,000	42,000
Net assets represented by parent company investment and advances	\$3,908,000	\$1,075,000
Revenues	\$ 342,000	--
Net income	\$ 96,000	--

LEASE AND INSTALLMENT CONTRACTS RECEIVABLE

Equipment leased to customers under certain long-term leases are treated as sales and the trading profit is recognized currently in the income statement. Related finance charges are taken into income over the life of the lease on an accelerated basis. The trading profit on installment sales is recognized in income at the time of the sales. Carrying charges are taken into income over the life of the contracts which generally do not exceed three years.

In 1975 most equipment sold under lease contracts was financed through AM Finance Corporation. Net sales derived from lease contracts were \$12,449,000 in 1975 and \$9,526,000 in 1974. Leases normally do not extend beyond five years.

At July 31, 1975 the company and its subsidiaries including AM Finance were subject to recourse on approximately \$12,000,000 of lease and installment contracts sold to unaffiliated leasing companies.

INVENTORIES

Inventory values are determined on the basis of lower of cost—mainly first-in, first-out—or market.

Allowance for slow moving, surplus, and obsolete inventory was \$17,003,000 and \$16,634,000 at July 31, 1975 and 1974, respectively.

CAPITAL EXPENDITURES

Expenditures for plant and equipment, including rental machines and machines under short-term leases, and renewals and betterments which extend the estimated useful life of assets are capitalized.

PROPERTY RETIREMENTS

When assets are disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected currently in earnings.

In 1974 the company sold surplus plants in Lincoln, Nebraska and Wytheville, Virginia for \$3,993,000 and \$3,146,000 respectively, resulting in a minor gain.

REALIGNMENT OF OPERATIONS IN 1975

In 1975 the company sold one subsidiary, terminated another and established a program to restructure several other operations. As a result 1975 net income was reduced by the net amount of \$829,000 comprised of: (i) a gain of \$1,117,000 on the sale at year end of a German subsidiary; (ii) \$1,598,000 in tax benefits net of costs incurred in terminating the company's Brazilian subsidiary; and (iii) aggregate estimated expenses of \$3,544,000 involved in restructuring several foreign and domestic operations.

INTANGIBLE ASSETS

Intangible assets resulting from acquisitions are being amortized on a straight-line basis over periods of 40 years or less.

Amortization of intangibles amounted to \$275,000 in 1975 and \$332,000 in 1974. In 1975 intangible assets were further reduced by \$2,228,000 as a result of the sale of a subsidiary in Germany.

BANK LOANS AND LONG-TERM DEBT

At the end of 1975 the company and its subsidiaries had aggregate indebtedness of \$114,415,000 compared with \$157,660,000 at the end of 1974 which can be summarized as follows:

	July 31	
	1975	1974
Short-Term:		
Revolving credit loans	\$ 9,622,000	--
Lines of credit	--	\$ 45,000,000
Multi-currency credit loans	6,425,000	--
Other foreign bank loans	19,718,000	24,657,000
Current portion of long-term debt	176,000	391,000
	<u>35,941,000</u>	<u>70,048,000</u>
Long-Term:		
9 $\frac{3}{4}$ % debentures	60,000,000	60,000,000
4 $\frac{3}{4}$ % convertible debentures	12,458,000	13,200,000
Multi-currency credit loans	--	7,968,000
Other, mainly foreign loans	6,192,000	6,835,000
Less current portion above	<u>(176,000)</u>	<u>(391,000)</u>
	<u>78,474,000</u>	<u>87,612,000</u>
Total	<u>\$114,415,000</u>	<u>\$157,660,000</u>

Short-term loans are covered by bank credit agreements under which the company had unused commitments from the lenders to borrow additional amounts up to \$57,258,000 at July 31, 1975. The revolving and multi-currency credit agreements expire October 31, 1975. The revolving credit agreement contains covenants prohibiting the payment of cash dividends and requiring maintenance of certain financial ratios. Monthly weighted average interest rates in 1975 ranged from 8% to 12%, fluctuating primarily in accordance with the prime rate. Compensating balances though not generally covered by written agreement averaged approximately \$4,000,000 during 1975.

Long-term debt maturities in 1976 are classified as current. For the following four years aggregate annual maturities of total long-term debt taking into consideration required sinking fund payments on the 9 $\frac{3}{4}$ % debentures are \$4,706,000 in 1977, \$3,464,000 in 1978, \$3,464,000 in 1979, and \$3,462,000 in 1980; sinking fund payments on the 4 $\frac{3}{4}$ % convertible debentures commence in 1983.

In 1975 purchases were made of \$742,000 principal amount of 4 $\frac{3}{4}$ % debentures which resulted in a gain of \$238,000 before taxes; in 1974 purchases of \$1,800,000 resulted in a similar gain of \$587,000.

STOCK OPTIONS

In accounting for options, no charge is made to income. The amounts received on options exercised are

credited to common stock and capital in excess of par value as appropriate.

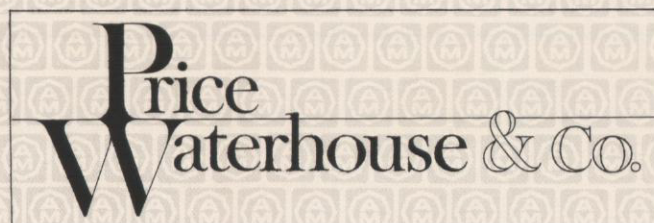
Under the 1971 Stock Option Plan approved by shareholders, 200,000 shares of common stock were reserved for issuance to officers and other key employees pursuant to the exercise of qualified and non-qualified stock options. Options have been granted at prices equal to the fair market value on the date of the grant, and become exercisable in amounts approximating 25% of the grant on the anniversary date of the grant in each of the four succeeding years. No option is exercisable after ten years from the date of the grant. Prior to January 1, 1973 both options were granted simultaneously or in tandem. The optionee with tandem options may elect to exercise either option or a combination of the two, and the number of shares purchasable under one such option reduces on a one-for-one basis the shares purchasable under the other option. Options granted after January 1, 1973 are either qualified or non-qualified options, and the purchase of shares under either option has no relation to the number of shares purchasable under other options.

Data relating to the 1971 plan is shown below:

	<u>Shares</u>	<u>Price Range</u>
Shares under option at July 31, 1974	98,575	\$12.31-\$44.06
Options granted	57,350	4.44- 5.19
Options terminated	<u>(14,750)</u>	4.44- 38.01
Shares under option at July 31, 1975	<u>141,175</u>	4.44- 44.06
Exercisable options at July 31, 1975	<u>39,900</u>	12.31- 44.06
Shares available for future grants at July 31, 1975	<u>58,825</u>	

Also at July 31, 1975 options for 16,600 shares granted under a terminated 1968 Plan were outstanding and exercisable at prices ranging from \$23.44 to \$43.57. These options expire in 1976.

REPORT OF INDEPENDENT ACCOUNTANTS



1900 CENTRAL NATIONAL BANK BUILDING
CLEVELAND, OHIO 44114 • 216-781-3700

September 15, 1975

To the Shareholders and
Board of Directors
Addressograph Multigraph
Corporation

In our opinion, the accompanying consolidated balance sheets and the related statements of consolidated income and retained earnings and of changes in financial position present fairly the financial position of Addressograph Multigraph Corporation and its subsidiaries at July 31, 1975 and 1974, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

FIVE-YEAR FINANCIAL SUMMARY

(Dollars in Thousands except Per Share Figures)

FOR THE YEAR ENDED JULY 31	1975	1974	1973	1972	1971
SUMMARY OF OPERATIONS					
Sales and other income:					
Net sales	\$450,851	\$417,783	\$375,545	\$344,822	\$323,547
Service billings and machine rentals	133,395	123,050	114,304	96,733	95,586
Other income	7,939	9,969	8,609	8,778	6,759
Total	<u>592,185</u>	<u>550,802</u>	<u>498,458</u>	<u>450,333</u>	<u>425,892</u>
Cost and expenses (a):					
Cost of products and services sold	350,369	328,341	274,363	237,028	230,436
Branch and commission expenses	121,568	115,495	103,787	99,663	100,654
Other selling, advertising, general and administrative expenses	75,453	69,899	62,030	55,866	44,235
Research, development and engineering expense	18,441	20,007	24,015	21,154	15,817
Interest expense	15,387	14,456	8,664	7,882	9,708
Special expenses	--	--	20,175	--	16,253
Total	<u>581,218</u>	<u>548,198</u>	<u>493,034</u>	<u>421,593</u>	<u>417,103</u>
Income before income taxes and extraordinary items	10,967	2,604	5,424	28,740	8,789
Income taxes	6,059	2,296	2,195	12,091	3,803
Income before extraordinary items	4,908	308	3,229	16,649	4,986
Extraordinary credits (charges)	--	--	1,214	--	(2,587)
Net income	4,908	308	4,443	16,649	2,399
Retained earnings at beginning of year	115,099	118,408	118,788	106,962	110,994
Less dividends paid	--	(3,617)	(4,823)	(4,823)	(6,431)
Retained earnings at end of year	<u>\$120,007</u>	<u>\$115,099</u>	<u>\$118,408</u>	<u>\$118,788</u>	<u>\$106,962</u>
Income per share of common stock:					
Income before extraordinary items	\$.61	\$.04	\$.40	\$2.07	\$.62
Extraordinary credits (charges)	--	--	.15	--	(.32)
Net income	<u>\$.61</u>	<u>\$.04</u>	<u>\$.55</u>	<u>\$2.07</u>	<u>\$.30</u>
Dividends paid	-- (b)	\$.45 (b)	\$.60	\$.60	\$.80 (b)
FINANCIAL POSITION AND SHAREHOLDERS' EQUITY					
Working capital	\$150,930	\$147,799	\$161,402	\$183,862	\$176,829
Ratio of current assets to current liabilities	2.0 to 1	1.9 to 1	2.1 to 1	3.2 to 1	3.2 to 1
Total assets	\$441,140	\$462,212	\$442,551	\$388,010	\$370,336
Total liabilities	231,881	257,861	234,891	180,004	174,161
Shareholders' equity	\$209,259	\$204,351	\$207,660	\$208,006	\$196,175
Equity per share	\$26.03	\$25.42	\$25.83	\$25.88	\$24.41
Total long-term debt	\$ 78,474	\$ 87,612	\$ 85,617	\$ 83,415	\$ 85,425
OTHER DATA					
Additions to plant and equipment and rentals (net)	\$ 20,580	\$ 22,056	\$ 32,361	\$ 15,703	\$ 13,463
Depreciation—plant and equipment and rentals	\$ 18,355	\$ 17,497	\$ 14,764	\$ 13,293	\$ 14,138
Number of shares outstanding	8,038,589	8,038,589	8,038,589	8,037,169	8,036,994
Number of employees	20,800	23,300	23,500	22,700	22,700
Number of shareholders of record	19,300	19,400	17,400	15,400	17,500

(a) In 1971 the company extended the straight-line method of depreciation to all depreciable properties, and this change increased net income for 1971 by \$1,125,000 or \$.14 per share.

(b) In the second quarter of fiscal 1971 quarterly dividends were reduced from \$.35 per share to \$.15 per share. In June 1974, the directors voted to suspend payment of the company's quarterly dividend. Reference is made to Notes to the Financial Statements for information regarding a one-year agreement containing certain restrictive covenants, including a prohibition on the payments of dividends.

MANAGEMENT'S DISCUSSION and ANALYSIS of CONSOLIDATED STATEMENTS of INCOME

1975 COMPARED TO 1974

Worldwide sales of \$584,246,000 increased \$43,413,000 or 8% compared to \$540,833,000 in 1974. A Summary of Net Sales is presented below.

Other income decreased 20% primarily due to a decrease in finance income from lease and installment contracts and gains in 1974 on forward exchange contracts and the purchase of the company's debentures.

Net income rose to \$4,908,000 or 61 cents per share compared to \$308,000 or 4 cents per share last year. As discussed in the Notes to Financial Statements, net income in 1975 was reduced by the net amount of \$829,000 resulting from the realignment of operations. The improvement in net income is mainly attributable to the improved performance of domestic operations. International operations were adversely affected by rising costs of products and services sold and by foreign currency exchange losses.

An analysis of income taxes is presented in Notes to the Financial Statements.

1974 COMPARED TO 1973

Worldwide sales of \$540,833,000 were \$50,984,000 or 10% ahead of the prior year's total of \$489,849,000. Service billings and rental revenues of \$123,050,000 in 1974 and \$114,304,000 in 1973 amounted to 23% of total billing for both years. Other income increased 16% mainly from income resulting from purchase of the company's debentures and gains on forward exchange contracts.

Consolidated net income was \$308,000 or \$.04 per share. In 1973 earnings were \$4,443,000 or \$.55 per share after deducting special expenses relating to accounts receivable and inventory amounting to \$20,175,000 before provision for taxes.

The sharp decrease in 1974 earnings is attributable to a number of factors. The cost of products and services sold increased 20%, branch and commission expense increased 11% and other selling, advertising, general and administrative expenses were 13% above 1973. These increases resulted primarily from higher salaries, wages, and employee benefits, the rapid rise in cost of materials and services purchased and from added expenses to support the increase in sales volume. Significantly higher interest expense was incurred because of increased bank borrowings and higher interest rates. During the year rising costs were not fully offset by price increases. Price controls, both domestically and in certain countries abroad, and competitive pressures with respect to some products restricted the company's ability to raise prices throughout the year. In addition, the International Division was adversely affected

by the three-day work week imposed by the British Government in 1974 which resulted in five weeks of reduced production at AM's largest overseas manufacturing facility.

Expenditures for research, development and engineering expenses were reduced by 17% in 1974 as a result of cost-reduction programs and establishment of new priorities.

QUARTERLY PRICE RANGE AND CASH DIVIDENDS

The common stock is traded on the New York Stock Exchange, Midwest Stock Exchange, and Pacific Coast Stock Exchange (Symbol AIN). Reference is made to Note (b) of the Consolidated Five Year Summary of Operations for information regarding the quarterly dividend. A summary of the price range and cash dividend per share on common stock by quarter for each of the last two years follows:

	Year Ended July 31, 1975		
	Stock Prices		Dividend Per Share
	High	Low	
1st Quarter	6 $\frac{5}{8}$	3 $\frac{3}{4}$	--
2nd Quarter	5 $\frac{1}{2}$	3	--
3rd Quarter	8 $\frac{1}{2}$	4 $\frac{7}{8}$	--
4th Quarter	9 $\frac{3}{8}$	6 $\frac{3}{8}$	--

	Year Ended July 31, 1974		
	Stock Prices		Dividend Per Share
	High	Low	
1st Quarter	18 $\frac{1}{2}$	11 $\frac{1}{2}$	\$.15
2nd Quarter	14 $\frac{1}{2}$	9	.15
3rd Quarter	11 $\frac{1}{2}$	7 $\frac{3}{4}$	.15
4th Quarter	8 $\frac{1}{8}$	4 $\frac{1}{2}$	--

SUMMARY OF NET SALES

AM is engaged in the design, manufacture and distribution of a wide variety of business machines and related equipment, accessories and supplies and providing of a variety of services to its customers in connection therewith. The percentage of revenues by product group to total sales for the five years ended July 31, 1975 is as follows:

	1975	1974	1973	1972	1971
Copiers & Duplicators	45%	45%	44%	44%	42%
Services	17	17	18	18	19
Engineering Graphics	15	16	15	15	15
Repetitive Writing and Transaction Processing	13	13	14	16	17
Composition, Micrographics and General Supplies	10	9	9	7	7
TOTAL	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

DIRECTORS

Frank H. Woods Chairman of the Board; President and Treasurer, Sahara Coal Company, Inc.
Raymond Q. Armington Chairman, the Triax Company, manufacturer and distributor of mechanical storage equipment
Charles L. Davis President and Chief Executive Officer
William R. Driver, Jr. Partner, Brown Brothers Harriman & Company, private bankers
John S. Fangboner Chairman (Retired) and Director, National City Bank of Cleveland
Dr. Paul E. Gray Chancellor, Massachusetts Institute of Technology
Hugh Knowlton, Jr. Chairman of the Executive Committee, Schieffelin & Co., importer of wines and spirits
Paul E. Priest Vice President, Finance
Horace A. Shepard Chairman and Chief Executive Officer, TRW Inc., supplier of products and services for electronic, aerospace, automotive, energy and industrial markets

CORPORATE MANAGEMENT

Charles L. Davis* President and Chief Executive Officer
Willard Allan* Treasurer
Woodrow S. Anderson* Vice President, Marketing
Jack B. Bredt* Vice President, Employee Relations
Thomas B. Clark* Secretary
William C. Cooper Assistant Treasurer
Alan G. Easton Vice President, Communications
Clarence C. Freeman* Controller
Sol L. Goldstein General Patent Counsel
J. Richard Hadnett Assistant Controller
Edward J. Lasko Assistant Controller
John R. Lenox Vice President, Manufacturing
C. Victor Meyer Vice President, Engineering
Keith Mond* Assistant Controller
Robert F. Murphy* Vice President, U.S. Operations
Paul E. Priest* Vice President, Finance
Everett E. Shafer Assistant Treasurer
A. Jay Somers* Vice President, Corporate Development
George S. Warner Vice President, International Operations

*Corporate Officers

ACCOUNTANTS

Price Waterhouse & Co., 1900 Central National Bank Building, Cleveland, Ohio 44114

TRANSFER AGENTS AND REGISTRARS*

First National City Bank, 111 Wall Street, New York, New York 10015
Bank of America, Bank of America Center, 55 Hawthorne Street, San Francisco, California 94105
Harris Trust and Savings Bank, 111 West Monroe Street, Chicago, Illinois 60690

DIVIDEND DISBURSING AGENT AND SHAREHOLDER RECORD KEEPING AGENT

Society National Bank of Cleveland, 127 Public Square, Cleveland, Ohio 44114

GENERAL COUNSEL

Woods, Aitken, Smith, Greer, Overcash and Spangler, 1241 N Street, Lincoln, Nebraska 68508

SECURITIES LISTINGS

Common Stock: New York Stock Exchange; Midwest Stock Exchange; Pacific Coast Stock Exchange
9% Debentures: New York Stock Exchange
4% Convertible Guaranteed Debentures: New York Stock Exchange; Luxembourg Stock Exchange

Symbol: AIN

*Banks perform both functions in dual capacity

MAJOR DIVISIONS and SUBSIDIARIES

DOMESTIC

BRUNING DIVISION Headquarters: 1834 Walden Office Square, Schaumburg, Illinois 60172
A.T. Craft Vice President and General Manager

Reproduction equipment and supplies for the drafting requirements of industry and government including a broad line of diazo copying machines, micrographic equipment and supplies for general use.

DOCUMENTOR DIVISION Headquarters: 2921 South Daimler, Santa Ana, California 92711
S. Zechter Vice President and General Manager

Transaction processing systems for use by the food service and lodging industries to perform point-of-sale, data collection, and accounting functions.

FIELD OPERATIONS DIVISION Headquarters: 1834 Walden Office Square, Schaumburg, Illinois 60172
R.R. Hagy Vice President and General Manager

All AM product sales and service in the United States, as well as field administration, logistical support and distribution, are consolidated in this new division, announced on July 1, 1975.

MULTIGRAPHICS DIVISION Headquarters: 1800 West Central Road, Mount Prospect, Illinois 60056
E.C. Bruning Vice President and General Manager

Offset duplicators, office copiers, total copy systems integrating the copier and duplicator processes, addressing and mailroom equipment, data recorders, and point-of-sale credit authorization terminals.

VARITYPER DIVISION Headquarters: 11 Mount Pleasant Avenue, East Hanover, New Jersey 07936
E.E. Hale Vice President and General Manager

Machines for the composition of body copy and display type, including high-speed automated phototypesetting equipment and video editing terminals for in-plant, commercial graphic arts and publishing markets.

INTERNATIONAL

INTERNATIONAL OPERATIONS Headquarters: 20600 Chagrin Boulevard, Cleveland, Ohio 44122

All major AM products and services. Sales and service are through subsidiaries or affiliates in 22 countries and independent dealers in 110 key world market areas.

AREA MANAGEMENT

K.D. Blum Vice President with area responsibility for Europe, Africa and the Near East
E.E. Morgan Vice President with area responsibility for Canada, Latin America and the Far East

The major subsidiaries are:

ADDRESSOGRAPH MULTIGRAPH LTD. (Great Britain) Hemel Hempstead, Herts, England
P.J. McCorkell Managing Director

ADDRESSOGRAPH MULTIGRAPH OF CANADA, LTD. Toronto, Ontario, Canada
R.C. Richards President and Managing Director

ADDRESSOGRAPH MULTIGRAPH G.m.b.H. Frankfurt/Main, Germany
D.E.A. Tannenberg Managing Director

WORLDWIDE MANUFACTURING, SUBSIDIARY and DEALER LOCATIONS



WORLD HEADQUARTERS

20600 Chagrin Boulevard, Cleveland, Ohio 44122

TELEPHONE: 1/216/283-3000

DOMESTIC PLANT OPERATIONS

BRUNING DIVISION

Schaumburg and Charleston, Illinois
City of Industry, Menlo Park and Santa Ana, California
Broomall, Pennsylvania
Guilford, Connecticut

DOCUMENTOR DIVISION

Santa Ana, California

FIELD OPERATIONS DIVISION

Cleveland, Ohio

MULTIGRAPHICS DIVISION

Cleveland and Holmesville, Ohio
Guilford, Connecticut
Hillside, New Jersey
Mount Prospect, Illinois
Lincoln, Nebraska
Portland, Maine

VARITYPER DIVISION

East Hanover, New Jersey

INTERNATIONAL OPERATIONS

SUBSIDIARIES and AFFILIATES

Argentina ✓	France ✓	Singapore
Australia	Germany ✓	South Africa ✓
Austria ✓	Great Britain	Spain ✓
Belgium ✓	Japan	Sweden ✓
Brazil ✓	Malaysia	Switzerland ✓
Canada	Mexico	U.S.A.* ✓
Denmark ✓	Netherlands ✓	Zambia ✓
Finland ✓	New Zealand	

*Addressograph Multigraph Export Corporation
(Cleveland, Ohio)

PLANTS

Australia	Canada	Germany
Belgium	England	South Africa

DEALERS

The company also operates through independent dealers in more than 110 key areas throughout the world.



ADDRESSOGRAPH MULTIGRAPH CORPORATION
World Headquarters, 20600 Chagrin Boulevard
Cleveland, Ohio 44122